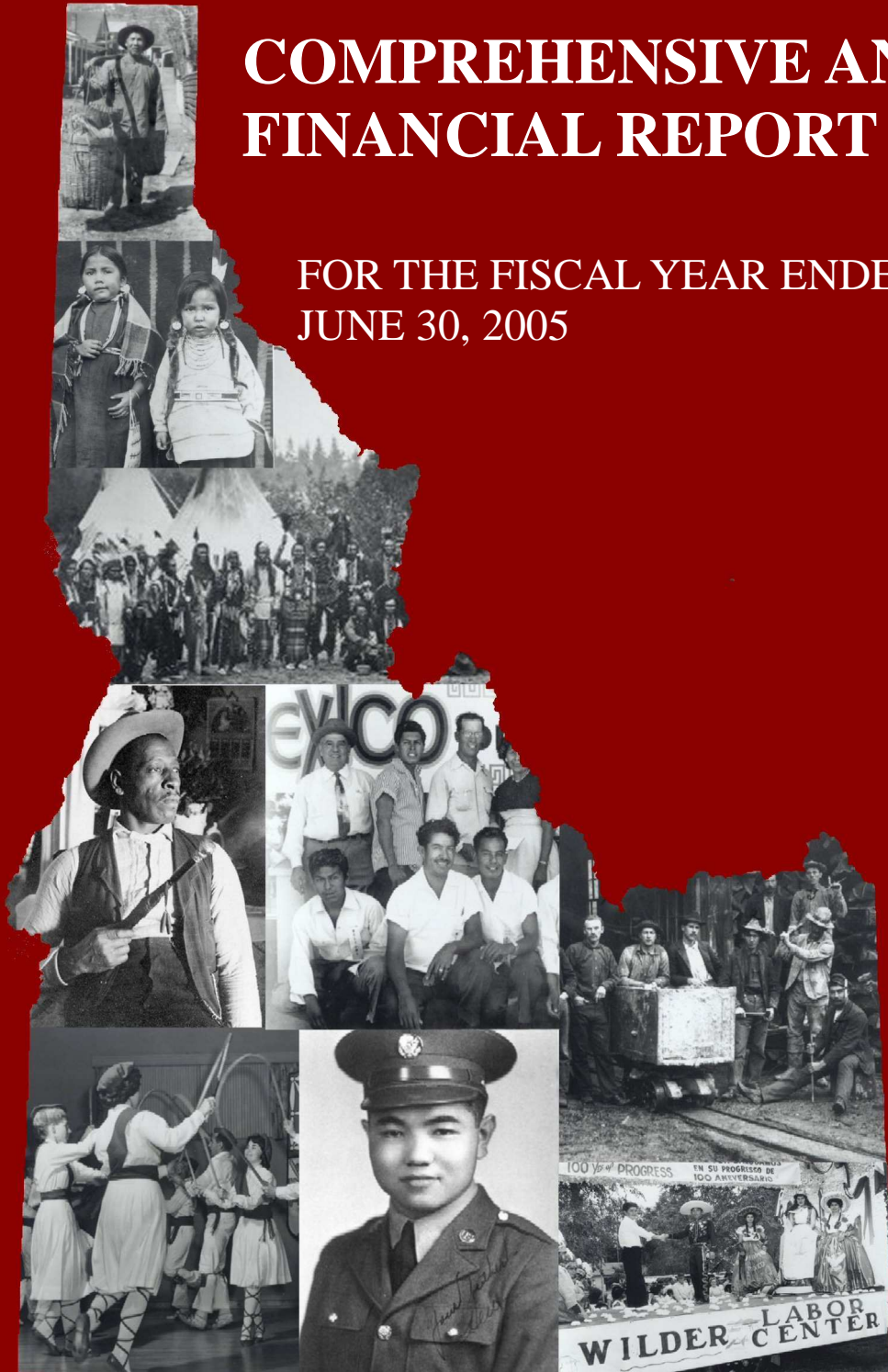


State of **IDAHO**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2005



Idaho Cultures

When Lewis and Clark journeyed through present-day Idaho in 1805, Native Americans were the only inhabitants. Today more than 1.4 million people of different cultures and backgrounds consider Idaho their home.

According to the 2000 Census, of these 1.4 million people approximately nine out of ten are of European descent, one out of 100 are Asian, and one out of 100 are Native American. Roughly 5,000 Idahoans are African American, and more than 100,000 Idahoans come from a Spanish-speaking background.

As you turn the pages of this Comprehensive Annual Financial Report, you will learn about the people who give Idaho its diversity. You will read a little about their history and culture, and you will see how Idaho's people have shaped its past and will continue to shape its future.



Photos on this page and on the front cover are courtesy of the Idaho Historical Museum, Bonner County Historical Society, and the private collection of Hero Shiosaki of Blackfoot, Idaho.

Source

Amy Miller, *Idaho*, New York, Children's Press, 2003, pp. 24 and 55-6.



IDAHO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2005**



**DIRK KEMPTHORNE
GOVERNOR**

**KEITH L. JOHNSON
STATE CONTROLLER**

PREPARED BY THE OFFICE OF THE STATE CONTROLLER

STATE OF IDAHO

Office of the State Controller

Keith L. Johnson, CPA, JD
State Controller

ACKNOWLEDGMENTS:

Steve J. Allison, CPA, CGFM
Deputy Controller
Division of Statewide Accounting

Darla Rankin, CPA, CGFM, MPA
Bureau Chief
Bureau of Reporting and Review

Carol Bearce
Anita Calhoun
Sherrill Geddes, CPA, CGFM
Kristi Kelly
Kristi Moss
Ryan Robinson, CPA
Tim Wendland, CPA

Thanks and appreciation to the Bureaus of Accounting Operations, System Administration, Accounting Customer Resource Center, and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies made this report possible.

STATE OF IDAHO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

INTRODUCTORY SECTION

State Controller's Letter of Transmittal.....	vi
Certificate of Achievement for Excellence in Financial Reporting	x
Idaho State Government Organization Chart.....	xi
Elected Officials of the State of Idaho.....	xii

FINANCIAL SECTION

Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	5

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Assets.....	14
Statement of Activities	16
Governmental Fund Financial Statements	
Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	25
Proprietary Fund Financial Statements	
Statement of Net Assets.....	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets	28
Statement of Cash Flows	30
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	32
Statement of Changes in Fiduciary Net Assets.....	33
Discretely Presented Component Units	
Statement of Net Assets.....	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets	35
Index for Notes to the Financial Statements	36
Notes to the Financial Statements	37

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds.....	92
Note to Required Supplementary Information – Budgetary Reporting	94
Infrastructure – Modified Approach Reporting	95
Pension.....	96

COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds	
Narrative.....	99
Balance Sheet.....	100
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	102
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	104
Permanent Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	109

STATE OF IDAHO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Nonmajor Enterprise Funds	
Narrative.....	113
Statement of Net Assets.....	114
Statement of Revenues, Expenses, and Changes in Fund Net Assets	115
Statement of Cash Flows	116
Internal Service Funds	
Narrative.....	117
Statement of Net Assets.....	118
Statement of Revenues, Expenses, and Changes in Fund Net Assets	119
Statement of Cash Flows	120
Fiduciary Funds	
Narrative	123
Statement of Fiduciary Net Assets –	
Pension (and Other Employee Benefit) Trust Funds	124
Statement of Changes in Fiduciary Net Assets –	
Pension (and Other Employee Benefit) Trust Funds	126
Statement of Fiduciary Net Assets – Investment Trust Funds	128
Statement of Changes in Fiduciary Net Assets – Investment Trust Funds.....	129
Statement of Assets and Liabilities – Agency Funds	130
Statement of Changes in Assets and Liabilities – Agency Funds.....	131

STATISTICAL SECTION

Index to the Statistical Section	133
Schedule 1 - Net Assets by Component	134
Schedule 2 - Changes in Net Assets.....	135
Schedule 3 - Fund Balances–Governmental Funds.....	136
Schedule 4 - Changes in Fund Balances–Governmental Funds	138
Schedule 5 - Revenue Base.....	140
Schedule 6 - Revenue Rates.....	142
Schedule 7 - Revenue Payers by Industry/Category	143
Schedule 8 - Ratios of Outstanding Debt	144
Schedule 9 - Other Long-term Liabilities	145
Schedule 10 - Pledged Revenue Coverage.....	146
Schedule 11 - Demographic and Economic Indicators	148
Schedule 12 - Principal Employers.....	150
Schedule 13 - Education Enrollment	150
Schedule 14 - State Employees by Function	151
Schedule 15 - Operating Indicators by Function.....	152
Schedule 16 - Capital Asset Statistics by Function.....	154
Schedule 17 - Assets, Liabilities, and Fund Balances–General Fund Accounts	156
Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances–General Fund Accounts	158
Schedule 19 - Miscellaneous Statistics	160

Introductory Section

Native American Culture



Photos courtesy of the Idaho Historical Museum and the Idaho Museum of Natural History (Pocatello, Idaho).

Top: Spokane, Nez Perce, Umatilla, Cayuse, Flathead, Colville, and Nez Perce Native Americans at an intertribal gathering, circa 1900.

Middle: Nez Perce Native-American children.

Bottom: Map of Native-American tribes in Idaho.

Sources

Idaho Museum of Natural History <<http://imnh.isu.edu/digitalatlas/geog/native/natvfr.htm>>. Accessed on 11/28/05.

Fran Hodgkins, *Idaho*, Mankato, Minnesota, Capstone Press, 2003, p. 22.

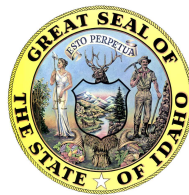
Amy Miller, *Idaho*, New York, Children's Press, 2003, pp. 22-3 and 55.

American Indians have always been an important part of Idaho history. Idaho's diversity is enhanced by its Native-American tribes, which include the Nez Perce, Kootenai, Coeur d'Alene, Shoshone-Bannock, Northern Paiute, Palouse, Spokane, Pend d'Oreille, and Kalispel. Almost one out of every 100 people in Idaho is Native American.

The beliefs and lifestyles of two of the largest tribes, the Nez Perce and Shoshone, give a glimpse into early Native-American life. Spirituality was important to both tribes. The Nez Perce believed that animals and natural forces, like wind and rain, had spirits. The Shoshone had great respect for animals because they believed that animals created the world for humans. When an animal was killed, the hide became clothes or shelter, the meat was used for food, and the bones were fashioned into tools. Native Americans considered horses to be one of their most important possessions. Idaho's state horse, the Appaloosa, was bred by the Nez Perce Indians and was known as a sturdy, surefooted breed.

Throughout the nineteenth century, missionaries labored to convert the Native Americans to Christianity, and the government fought with the Native Americans over their land. Today, as a result of government treaties, many Native Americans live on the Fort Hall, Nez Perce, Coeur d'Alene, or Duck Valley reservations. On these reservations Native Americans work together to preserve their culture and customs.





Keith L. Johnson
STATE CONTROLLER

OFFICE OF THE STATE CONTROLLER
STATE CAPITOL

700 W. STATE STREET
P.O. BOX 83720
BOISE, IDAHO 83720-0011

e-mail: scoinfo@sco.state.id.us
(208) 334-3100
FAX 334-2671

DAN GOICOECHEA
DEPUTY CONTROLLER
CHIEF OF STAFF

BRANDON WOOLF
DEPUTY CONTROLLER
DIVISION STATEWIDE PAYROLL

STEVE J. ALLISON
DEPUTY CONTROLLER
DIVISION STATEWIDE ACCOUNTING

GEORGE JUDGE
DEPUTY CONTROLLER
DIVISION COMPUTER SERVICES

December 29, 2005

To: The Honorable Dirk Kempthorne, Governor
Members of the Legislature
Citizens of the State of Idaho

As required by *Idaho Code*, Section 67-1001, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) to you for the fiscal year ended June 30, 2005. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on recognized standards. This CAFR, which includes the State's independently audited basic financial statements, will provide you and the financial community with the information necessary to assess Idaho's financial position, results of operations, and management of its financial resources.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Office of the State Controller. As the State's Chief Fiscal Officer, I am confident the data presented is accurate in all material respects. It is presented in a manner that fairly sets forth the financial position and results of state operations. It is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and includes recommendations of the Government Finance Officers Association. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial position and results of operations have been included.

The State's management has established and maintained an internal control structure in order to ensure that the financial statements are free from material misstatement and that the State's assets are adequately protected from loss, theft, or misuse. The State's Management Control

System includes both financial and administrative controls and provides a framework for managers to work within their organizational structure to promote efficient and effective operations in the State. The cost of internal controls should not outweigh their benefits; therefore, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

In accordance with *Idaho Code*, Section 67-429, the Legislative Audit staff of the State Legislature audited the State's basic financial statements for the fiscal year ended June 30, 2005, in order to provide reasonable assurance that the CAFR is free of material misstatement. The audit was conducted in accordance with generally accepted governmental auditing standards, and the auditor's opinion is included as the first component of the Financial Section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the State of Idaho's basic financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP.

In addition, the Legislative Audit staff has the responsibility for conducting statewide audits under the Federal *Single Audit Act of 1984* and the related Office of Management and Budget *Circular No. A-133* in order

to meet the special needs of federal grantor agencies. The State issues a separate single audit report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. It covers 84,437 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1.4 million. State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is presided over by the Idaho Supreme Court, which is led by the Chief Justice, elected by the four other justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. In addition to general government activities, component units that are part of this report include the Idaho State Building Authority, the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, and the Idaho Life and Health Insurance Guaranty Association.

The annual budgetary process serves as the foundation for the State's financial planning and control. In September of each year state agencies submit budget requests to the Governor's Office and the Legislature's Budget and Policy Analysis Office. The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is generally maintained at the same level of detail as appropriated.

All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law and a sufficient existing and

unexpended appropriation balance must be available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further described in the notes to the required supplementary information.

ECONOMIC CONDITION

Economy

The dominant story on the national scene has been the effects of hurricane Katrina. Short-term energy prices have increased but are expected to gradually decline; however, a return to 2004 price levels is not foreseen. Down the road the economy will actually benefit from efforts to rebuild the Katrina damage. U.S. real gross domestic product increased 4.2 percent in 2004 and is anticipated to increase 3.5 percent in 2005 and 3.4 percent in 2006. U.S. nonfarm employment increased 1.1 percent in 2004 and is projected to grow 1.6 percent in 2005 and 1.5 percent in 2006.

Idaho's economy once again outperformed expectations. Nonfarm employment experienced its best showing since 1994's second quarter, with gains being fueled by the construction sector. Idaho's nonfarm employment grew 2.7 percent in 2004 (to 588,000). It is estimated that Idaho's nonfarm employment will increase 3.6 percent in 2005 and 1.8 percent in 2006. Looked at another way, Idaho is expected to enjoy a net job gain of nearly 33,000 from 2004 to 2006.

Idaho's nonfarm employment consists of nongoods-producing industries and goods-producing industries. Nongoods-producing industries account for over 82 percent of all nonfarm jobs in Idaho. Nongoods-producing industries include services, such as professional, education, health, and leisure; and retail and wholesale trade. Total employment in Idaho's nongoods-producing sector increased 2.6 percent in 2004 (to 483,000) and is forecast to rise 3.1 percent in 2005 and 2.5 percent in 2006. The services sector accounts for the lion's share of employment in Idaho. This sector increased 3.4 percent in 2004 (to 269,000) and is expected to increase 3.9 percent in 2005 and 3.3 percent in 2006.

Employment in Idaho's goods-producing sector increased 3.0 percent in 2004 (to 105,000) and is expected to increase 6.3 percent in 2005 and decrease 1.1 percent in 2006. Idaho's goods-producing industries include manufacturers of goods, such as logging and wood products, metal fabrication, machinery, computer and electronics, food processing, printing, and chemicals. Idaho's computer and electronics employment totaled

nearly 16,300 in 2004. Idaho's computer and electronics employment growth is expected to increase 1.6 percent in 2005 and 0.2 percent in 2006.

National personal income grew 5.9 percent in 2004 and is expected to grow 6.0 percent in 2005 and 6.5 percent in 2006. Idaho's personal income increased by 7.9 percent in 2004 and is expected to increase 7.4 percent in 2005 and 6.5 percent in 2006.

Idaho's population increased 1.9 percent in 2004, which was 1.0 percent higher than the national rate. U.S. population is expected to grow 0.9 percent in 2005 and 0.9 percent in 2006. Idaho's population growth is expected to be greater than the national rate of 1.7 percent in 2005 and 1.6 percent in 2006.

Long-Term Financial Planning

Fiscal year 2005 was the final year of the temporary one-cent sales tax increase. The transition into fiscal year 2006, with lowered sales tax revenues, was enhanced by higher than expected fiscal year 2005 revenues. The key factor in the Legislature's approach to the budget was to maximize the ending balance to carry over into fiscal year 2006. The basic philosophy of the budget approach for fiscal year 2006 was to cover only those costs associated with current statutory program responsibilities and not to expand state services or programs.

Financial Policies

Article VII of the *Idaho Constitution* allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon the sales tax or the income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

The State through *Idaho Code*, Section 67-3507, maintains a budget and economic recovery reserve fund. These reserve monies are set aside for the purpose of meeting revenue shortfalls, meeting expenses incurred as a result of a major disaster, and providing tax relief to the citizens of Idaho. During fiscal year 2005 revenues from cigarette taxes and other sources increased the budget and economic recovery reserve cash balance by \$38.0 million.

Major Initiatives

Health and Human Services. The General Fund appropriation for the Department of Health and Welfare increased from \$425.0 million in fiscal year 2005 to

\$457.7 million in fiscal year 2006, a 7.7 percent increase. The Medicaid program received \$27.6 million, or 84 percent of the increase. In addition, full-time equivalent positions will increase by 2.5 percent, from 2,946 in fiscal year 2005 to 3,021 in fiscal year 2006.

Transportation. In the 2005 legislative session, *Idaho Code*, Title 40, was amended to allow the State to use Grant Anticipation Revenue Vehicles (GARVEE bonds) to fund major highway construction projects. By allowing the future use of GARVEE bonds, the Legislature has paved the way for major highway construction projects that would otherwise not be practicable. The future GARVEE projects are expected to yield substantial economic development benefits. In addition, the Legislature approved an enhanced budget for the Idaho Transportation Department (an additional \$42.4 million of original appropriation for construction and right-of-way purchases for fiscal year 2006). The enhancement reflects higher estimated levels of federal funding based upon Congress' most recent extension of the Federal Surface Transportation Act.

Public Schools. The General Fund appropriation for public schools increased by 2.3 percent for fiscal year 2006, from \$964.7 million to \$987.1 million. The increase provides necessary funding for enrollment growth. The key legislation in public schools centered on the removal of requirements that the State financially support and school districts participate in the Idaho Student Information Management System (since private funding has ceased). Amendments pertaining to charter schools include a provision limiting the growth of individual charter schools to 20 new support units per year (support units are defined in *Idaho Code*, Section 33-1002(6), and relate to state reimbursements based on attendance). These changes will make it possible for the State to plan and budget for charter school growth in a more orderly way.

Endowment Funds. The endowment funds are dedicated funds generated from the sale of goods, services, and investment of revenues earned from lands granted by the federal government upon statehood. In fiscal year 2005 the Legislature became aware that the Endowment Fund Investment Board had ceased payouts to two of the pooled endowments, the Agricultural College and the Charitable Institutions earnings reserve funds, causing the two endowments to have negative fund balances. For fiscal year 2006, the Legislature adopted a plan to shift General Fund support from the more fiscally sound pooled endowments to the two troubled endowments. The Legislature's plan to make a one-time fund shift should return the Agricultural College and the Charitable Institutions endowments to positive earnings reserves by fiscal year 2007.

Loan Fund. For fiscal year 2005 the Legislature appropriated \$34.2 million for statewide water issues. The primary purpose of the funding was to purchase water rights owned by the Bell Rapids Mutual Irrigation Company. Additionally, monies were appropriated for making loans to water districts. The water issues funding is part of a comprehensive effort to clarify ownership of Snake River water resources. Establishing ownership is expected to facilitate future economic activity, while protecting natural resources.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This is the eighth consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. We are committed to this ongoing effort and intend to maintain a highly qualified and professional staff to make Idaho's certification possible.

The State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2004. This is the seventh year the State received this prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

One of the State's agencies, the Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the System for the last fourteen years. PERSI should be recognized for this major accomplishment.

The State Controller's Office takes great pride in the preparation of this comprehensive report. It is an honor

to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR truly serves the citizens of Idaho. Credit must also be given to Governor Dirk Kempthorne and other state leaders for their support in maintaining the highest standards of professionalism in the management of Idaho's finances.

Respectfully submitted,



Keith L. Johnson
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

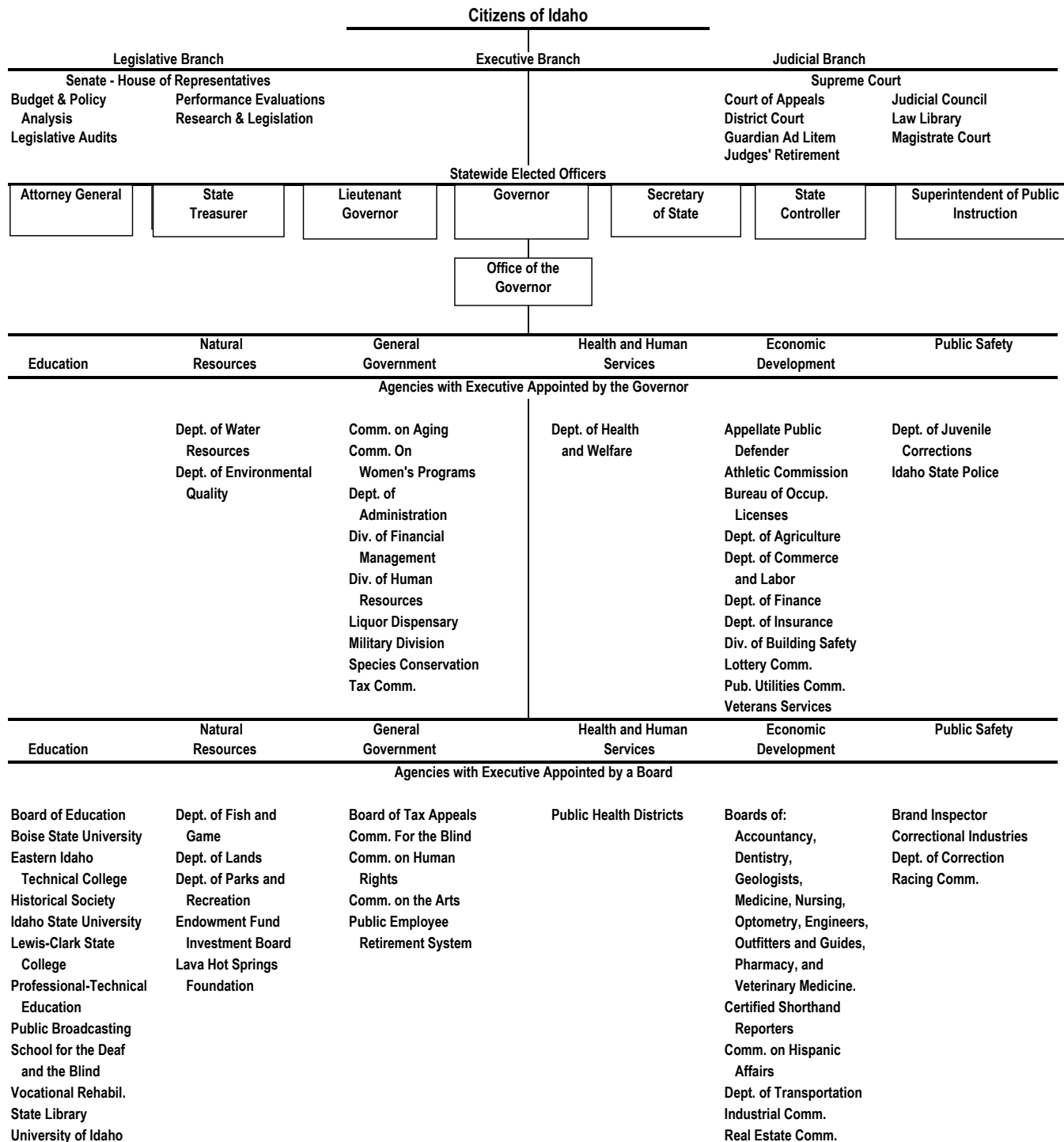


President

Executive Director



**2005 Organization Chart
Idaho State Government
State Agencies Based on Gubernatorial Appointment Authority**

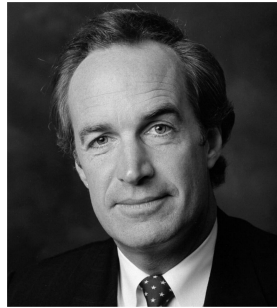


Prepared by the Division of Financial Management. Formatting modified by the Office of the State Controller.

Elected Officials of the State of Idaho



KEITH JOHNSON
State Controller



DIRK KEMPTHORNE
Governor



JIM RISCH
Lieutenant Governor



BEN YSURSA
Secretary of State



RON CRANE
State Treasurer



LAWRENCE WASDEN
Attorney General



MARILYN HOWARD
Superintendent of Public Instruction



BRUCE NEWCOMB
Speaker, Idaho House of
Representatives



GERALD SCHROEDER
Chief Justice,
Idaho Supreme Court



BOB GEDDES
President, Pro Tempore
Idaho State Senate

Financial Section

Japanese American Culture



Photos courtesy of the Idaho Historical Museum and the private collection of Hero Shiosaki, Blackfoot, Idaho.

Top: Japanese-American farmers.

Bottom: WWII Japanese-American soldier.

Sources

Idaho Museum of Natural History <<http://imnh.isu.edu/digitalatlas/geog/imem/imemfr.htm>>. Accessed on 11/28/05.

Idaho Human Rights Education Center <<http://www.idaho-humanrights.org/Our%20Complex%20Past/pages/japanese.htm>>. Accessed on 11/28/05.

Japanese Relocation Camps <<http://www.infoplease.com/spot/Internment1.html>>. Accessed on 11/28/05.

Fran Hodgkins, *Idaho*, Mankato, Minnesota, Capstone Press, 2003, p.42.

Amy Miller, *Idaho*, New York, Children's Press, 2003, pp. 39-40.

The first generation of Japanese immigrants traveled to Idaho in the 1880s. They began doing migrant farm work, helped build railroads, and eventually became successful merchants, tenant farmers, and business owners. They retained their unique language and customs, served traditional foods such as miso soup and white rice, and performed traditional marriages and funerals. Japanese men and women lived in close communities and watched after one another. They often gathered for social functions, dinners, and annual picnics.

After the December 1941 attack on Pearl Harbor Japanese Americans suffered hardships due to suspicions of divided loyalties. In 1942 they were taken from the West Coast to relocation camps in Idaho, Utah, Wyoming, and other places in the U.S. interior, losing both their possessions and their liberty. Roughly 10,000 Japanese Americans were sent to the Minidoka Camp near Minidoka, Idaho. They were not released until late in 1944 when the War Department (subsequently renamed the Department of Defense) withdrew the West Coast exclusion orders. During World War II, 800 camp residents served in the United States military.

Thousands of Japanese Americans stayed in Idaho after their internment, and in 1988 the United States government issued an apology to all the Japanese Americans who lost liberties as a result of their incarceration. Today Japanese Americans are part of the 11,800 Asian Americans who live in Idaho.





Legislative Services Office Idaho State Legislature

Carl F. Bianchi
Director

State Capitol
P.O. Box 83720
Boise, ID 83720-0054
208/334-2475; Fax 334-2125
www2.state.id.us/legislat

December 29, 2005

Independent Auditor's Report

Honorable Dirk Kempthorne, Governor
Honorable Members of the Legislature
Honorable Keith Johnson, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2005, that collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, IDEal Idaho College Savings Program, University of Idaho, Idaho State University, Boise State University, Lewis and Clark State College, Eastern Idaho Technical College, Idaho Life and Health Insurance Guaranty Association, Petroleum Clean Water Trust Fund, Idaho Building Authority, and the Idaho Housing and Finance Authority. Those financial statements represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government - Governmental Activities	16.5%	2.8%
Primary Government - Business-Type Activities	69.7%	53.1%
Aggregate Discretely Presented Component Units	100%	100%

<u>Fund Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Funds		
Public School Endowment - Major Fund	100%	100%
Pooled Endowment - Major Fund	100%	100%
Proprietary Funds		
College and Universities - Major Fund	100%	100%
Aggregate Remaining Fund Information	80.2%	25.7%

Mike Nugent, Supervisor
Research & Legislation
mnugent@lso.state.id.us

Jeff Youtz, Supervisor
Budget & Policy Analysis
jyoutz@lso.state.id.us

Ray Ineck, Supervisor
Legislative Audits
rineck@lso.state.id.us

Glenn Harris, Supervisor
Network Administration
gharris@lso.state.id.us

Serving Idaho's Citizen Legislature

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those agencies and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The financial statements of the Idaho Life and Health Insurance Guaranty Association, the Idaho Housing and Finance Authority, and the IDEal Idaho College Savings Program were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As discussed in Note 1 of the Notes to the Financial Statements, the State adopted Governmental Accounting Standards Board's (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we have issued our report dated December 29, 2005, on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit. That report is issued under separate cover in the State's *Single Audit Report*.

The management's discussion and analysis on pages 5 through 12, and the required supplementary information on pages 92 through 96, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining financial statements, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Very truly yours,



Thomas Haddock, CPA
Legislative Audits

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the State of Idaho's financial performance provides an overview and analysis of the State's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State's primary government exceeded its liabilities for the fiscal year ended June 30, 2005, by \$7,080.5 million (reported as net assets). Of this amount, \$754.3 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2005 the State's total net assets increased by \$552.6 million. Net assets of governmental activities increased by \$467.1 million, while net assets of business-type activities increased by \$85.5 million.

Fund Highlights

As of the close of the fiscal year the State's governmental funds reported combined ending fund balances of \$1,816.5 million, with \$940.1 million reserved for specific purposes and \$876.4 million unreserved. This includes the General Fund's unreserved fund balance of \$544.3 million.

Long-Term Debt

The State's long-term debt increased \$9.7 million during the current fiscal year, from \$553.9 million in fiscal year 2004 to \$563.6 million in fiscal year 2005. The key factor in this increase was an increase in newly issued bonds and notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which include the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. These statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services, such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to private business, where all or a significant portion of costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to their wastewater and drinking water systems.

Discretely presented component units are organizations legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, and the Idaho Life and Health Insurance Guaranty Association.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements and capabilities. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, and permanent funds.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

This report includes two schedules in the governmental fund financial statements that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- a budgetary comparison schedule reconciling the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements;
- condition and maintenance data regarding the State's infrastructure that is reported using the modified basis; and
- schedules of funding progress and actuarial information in funding the State's obligation to provide pension benefits to certain employees.

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable basic financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceeded liabilities by \$7.1 billion for fiscal year 2005.

The State's combined net assets increased \$552.6 million over the course of this fiscal year's operations. Net assets of governmental activities increased \$467.1 million and business-type activities net assets increased \$85.5 million.

Net Assets
June 30, 2005 and 2004
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2005	2004	2005	2004	2005	2004	
	<i>as restated</i>				<i>as restated</i>		
Current and Other Assets	\$3,145,486	\$2,647,294	\$922,651	\$866,736	\$4,068,137	\$3,514,030	15.8
Capital Assets	4,180,941	3,969,564	758,176	711,648	4,939,117	4,681,212	5.5
Total Assets	7,326,427	6,616,858	1,680,827	1,578,384	9,007,254	8,195,242	9.9
Long-Term Liabilities	331,494	335,482	368,860	355,413	700,354	690,895	1.4
Other Liabilities	1,132,856	886,384	93,577	90,107	1,226,433	976,491	25.6
Total Liabilities	1,464,350	1,221,866	462,437	445,520	1,926,787	1,667,386	15.6
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,968,562	3,755,317	447,206	411,159	4,415,768	4,166,476	6.0
Restricted	1,291,077	1,230,263	619,352	556,540	1,910,429	1,786,803	6.9
Unrestricted	602,438	409,412	151,832	165,165	754,270	574,577	31.3
Total Net Assets	\$5,862,077	\$5,394,992	\$1,218,390	\$1,132,864	\$7,080,467	\$6,527,856	8.5

The largest component of the State's net assets, \$4,415.8 million or 62.4 percent, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These net assets are not available for future spending.

Restricted net assets are the next largest component of net assets, comprising 27 percent (\$1,910.4 million). These resources are not available for general use due to restrictions placed on them by external parties such as

creditors, grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 10.6 percent (\$754.3 million) of net assets represents unrestricted net assets, which may be used at the State's discretion but may have limitations on use based on state statutes.

At the end of the current fiscal year the State reported positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

Change in Net Assets
For the Fiscal Years Ended June 30, 2005 and 2004
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2005	2004	2005	2004	2005	2004	
	as restated				as restated		
Revenues							
Program Revenues							
Charges for Services	\$747,633	\$714,550	\$654,394	\$587,139	\$1,402,027	\$1,301,689	7.7
Operating Grants and Contributions	1,832,487	1,787,214	228,049	222,013	2,060,536	2,009,227	2.6
Capital Grants and Contributions	5,211	3,284	19,965	23,833	25,176	27,117	(7.2)
General Revenues							
Sales Tax	1,135,210	1,039,746			1,135,210	1,039,746	9.2
Individual and Corporate Taxes	1,167,799	991,520			1,167,799	991,520	17.8
Other Taxes	406,176	397,702			406,176	397,702	2.1
Other	38,740	85,031			38,740	85,031	(54.4)
Total Revenues	5,333,256	5,019,047	902,408	832,985	6,235,664	5,852,032	6.6
Expenses							
General Government	609,348	504,727			609,348	504,727	20.7
Public Safety and Correction	229,158	241,550			229,158	241,550	(5.1)
Health and Human Services	1,600,692	1,507,865			1,600,692	1,507,865	6.2
Education	1,331,795	1,287,879			1,331,795	1,287,879	3.4
Economic Development	616,149	600,341			616,149	600,341	2.6
Natural Resources	205,635	186,594			205,635	186,594	10.2
Interest Expense	18,175	16,556			18,175	16,556	9.8
College and University			753,689	699,674	753,689	699,674	7.7
Unemployment Compensation			142,862	164,950	142,862	164,950	(13.4)
Loan			654	913	654	913	(28.4)
Nonmajor Enterprise Funds			174,896	166,628	174,896	166,628	5.0
Total Expenses	4,610,952	4,345,512	1,072,101	1,032,165	5,683,053	5,377,677	5.7
Increase (Decrease) in Net							
Assets before Transfers	722,304	673,535	(169,693)	(199,180)	552,611	474,355	16.5
Transfers	(255,219)	(226,193)	255,219	226,193			-
Change in Net Assets	467,085	447,342	85,526	27,013	552,611	474,355	16.5
Net Assets, Beginning							
of Year, as Restated	5,394,992	4,947,650	1,132,864	1,105,851	6,527,856	6,053,501	7.8
Net Assets, End of Year	\$5,862,077	\$5,394,992	\$1,218,390	\$1,132,864	\$7,080,467	\$6,527,856	8.5

The total percent change column shows the percentage change in operations from fiscal year 2004 to 2005 for each line item. The reader should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (i.e., 54.4 percent for other general revenues, \$46.3 million), it may not have as significant of an affect on the overall change in net assets as a change in a more material line item with a smaller percentage change (i.e., 7.7 percent for charges for services, \$100.3 million).

The State's overall financial position improved during the fiscal year, as evidenced by the \$552.6 million increase in net assets. Key elements of this increase include a 17.8 percent increase (\$176.3 million) in individual and corporate taxes due to increasing levels of employment and personal income. Charges for services

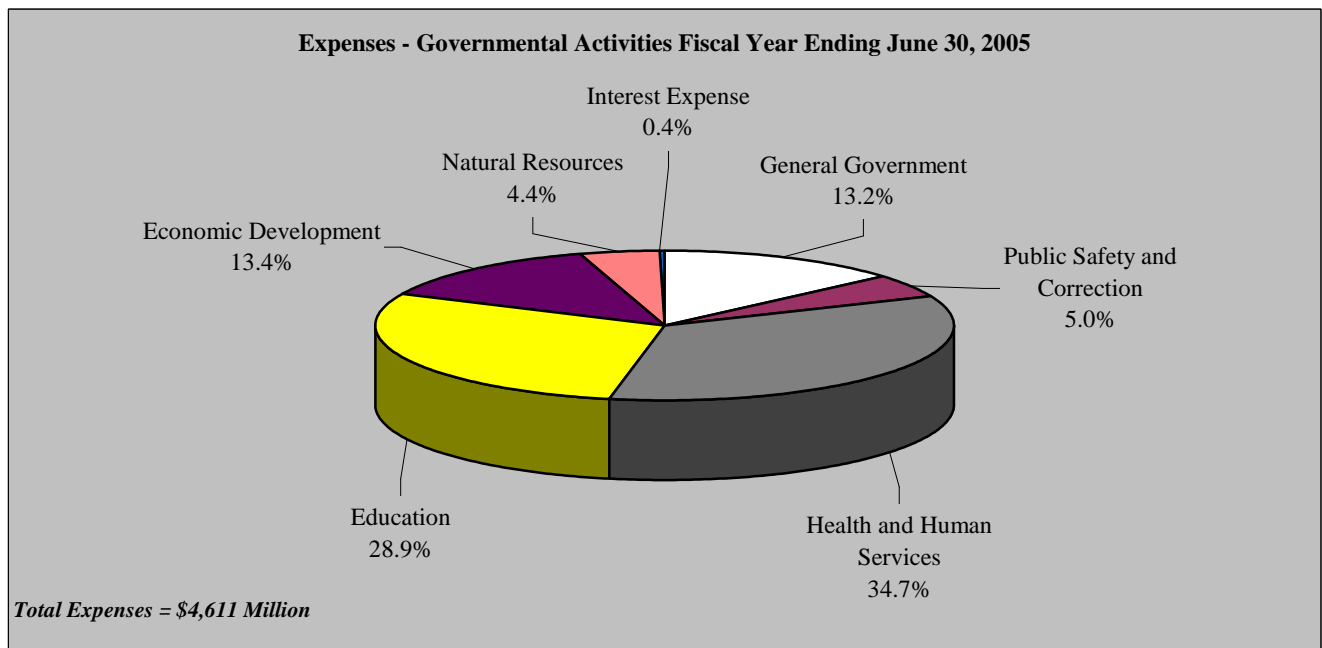
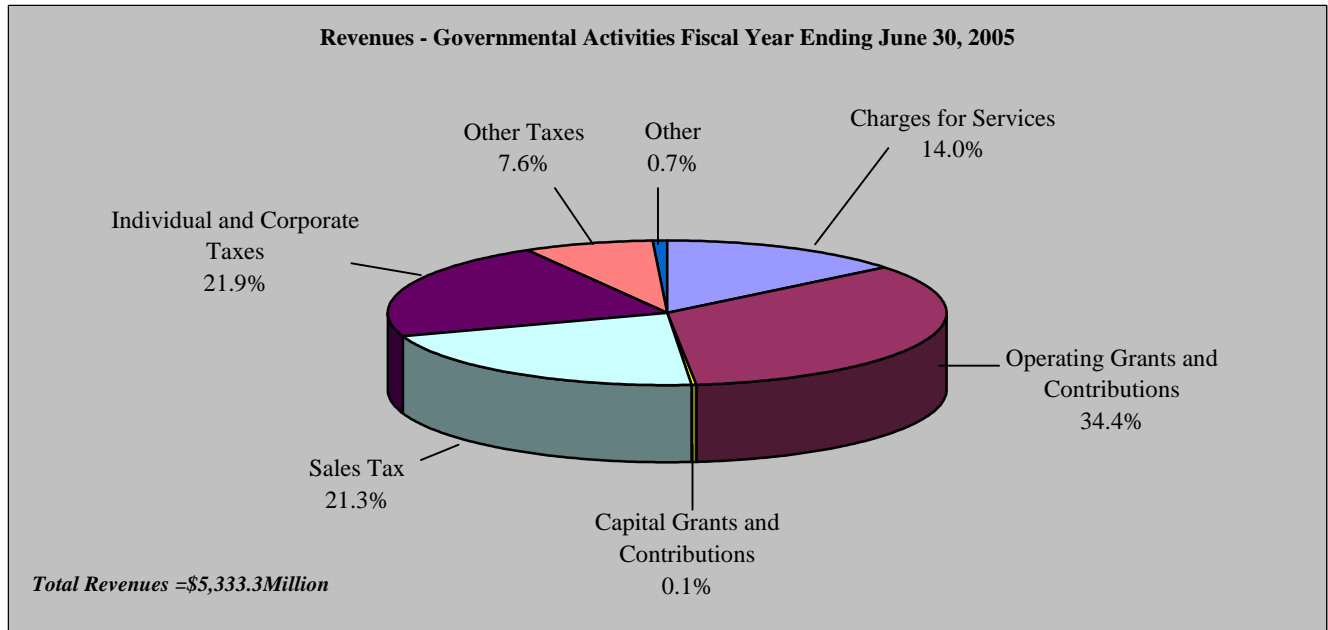
revenues increased by 7.7 percent (\$100.3 million) largely due to increased educational fees, unemployment assessments, and liquor sales. In addition revenues from sales tax increased 9.2 percent (\$95.5 million) mainly due to increased consumer spending. The revenue increases were offset to a degree by some increased

expenses. The most significant change in expenses was an increase of 20.7 percent (\$104.6 million) for the general government function, primarily related to distributions of increased tax collections and premium increases for health insurance and property and general liability risk. Health and Human Services expenses

increased by 6.2 percent (\$92.8 million) mainly due to greater medical assistance payments. College and University expenses increased by 7.7 percent (\$54 million) mainly due to increased personnel costs and maintenance and operating costs for new facilities.

Governmental Activities:

The following charts depict revenues and expenses of the governmental activities for the current fiscal year:



Business-Type Activities:

Business-type activities net assets increased by \$85.5 million in fiscal year 2005. The largest changes were seen in the following funds:

- College and University net assets increased by \$35.5 million primarily due to an increase of \$25.2 million in fees, an increase in General Fund support of \$8.0 million, and an increase of \$5.3 million in sale of goods and services.
- The Loan fund saw an increase in net assets of \$49.8 million primarily due to transfers from the General Fund (\$21.3 million) and the Liquor fund (\$7.2 million) to purchase water rights.

Pooled Endowment's fund balance increased by \$22.6 million in fiscal year 2005, attributable to a \$17.9 million increase in the fair value of investments.

Nonmajor special revenue fund balance decreased during the fiscal year by \$44 million largely due to expenditures related to the purchase of capital assets by the Idaho State Building Authority.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. These funds are discussed in business-type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As of the end of the current fiscal year the State's governmental funds reported combined ending fund balances of \$1,816.5 million, an increase of \$244.3 million in comparison with the prior fiscal year. Of this amount, \$876.4 million (48.2 percent) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance (\$940.1 million) is reserved to indicate that it is not available for new spending because it has already been reserved for various commitments, such as liquidation of purchase orders and contracts of the prior period and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year unreserved fund balance was \$544.3 million and reserved fund balance was \$28.7 million. Total fund balance increased \$202.4 million (54.6 percent) during the fiscal year, primarily as a result of increased sales tax revenues of \$96.7 million and increased individual and corporate tax revenues of \$179.4 million.

Health and Welfare's fund balance increased from fiscal year 2004's negative fund balance of \$12.1 million to a positive fund balance of \$2.5 million in fiscal year 2005, primarily due to an increase in grants and contributions and General Fund support.

Public School Endowment's fund balance increased by \$52.6 million in fiscal year 2005 due largely to a \$37.1 million increase in the fair value of investments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Legislature made final adjustments to the fiscal year 2005 budget based on an estimated 7.8 percent revenue increase. Overall, the General Fund budget for fiscal year 2005 increased by 6.2 percent over the fiscal year 2004 budget.

At fiscal year-end there was a revenue surplus of \$110.8 million, 5.1 percent higher than forecast. The key factor in the Legislature's approach to the budget was to maximize the 2005 ending balance to carry over into fiscal year 2006 to help offset the sunset of the temporary one-cent sales tax increase.

The variance between the original and final budget in the expenditures section of the General Fund Budgetary Comparison Schedule is \$5.7 million, a 0.2 percent increase in original expenditure appropriations. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variation between the final budget and actual spending was a favorable \$108.0 million (or 4.6 percent). This was primarily due to legislative actions and a conservative fiscal policy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005 the State had \$4,939.1 million (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table

below. Depreciation charges for this fiscal year totaled \$96.5 million.

Capital Assets as of June 30, 2005 and 2004

(Net of depreciation, dollars in thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2005	2004	2005	2004	2005	2004
	as adjusted				as adjusted	
Land	\$900,100	\$881,904	\$41,019	\$36,267	\$941,119	\$918,171
Construction in Progress	647,061	625,147	63,152	74,647	710,213	699,794
Infrastructure--not Depreciated	1,779,877	1,733,104			1,779,877	1,733,104
Historial Art and Collections	123	107	2,222	2,180	2,345	2,287
Intangible Assets			22,573		22,573	
Buildings and Improvements	343,001	250,597	521,186	484,246	864,187	734,843
Improvements Other Than Buildings	30,575	23,248	22,874	24,037	53,449	47,285
Machinery, Equipment, and Other	117,029	119,811	85,150	90,271	202,179	210,082
Infrastructure--Depreciated	363,175	335,646			363,175	335,646
Total	\$4,180,941	\$3,969,564	\$758,176	\$711,648	\$4,939,117	\$4,681,212

The total increase in investment in capital assets for the current fiscal year (including additions and deductions) was \$257.9 million, or 5.5 percent. This year's major additions include \$265.7 million for infrastructure assets, which includes construction in progress (\$159.0 million), roadways (\$48.3 million), rights-of-way (\$18.8 million), and bridges and ports of entry (\$39.6 million).

The State uses the traditional method of depreciation for its 1,649 bridges and 33 rest areas or ports of entry. As allowed by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the State has adopted the modified approach for reporting roads. Under this alternative method, certain maintenance and preservation costs are expensed and depreciation expense is not reported. Approximately 11,852 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (good). An interstate roadway surface is considered substandard under this approach at less than 2.5. The State's established condition level is to have no more than 18 percent of road surfaces in substandard condition. The latest condition assessment rating for calendar year 2004 showed that the State had 81 percent of its road surfaces in good or fair condition, down from

84 percent in condition assessment year 2003 and 85 percent in 2002. During fiscal year 2005 the State spent \$79.3 million to maintain Idaho's road surfaces, down from \$81.1 million spent during fiscal year 2004. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in required supplementary information.

Long-Term Debt

Article VIII, Section 1, of the *Idaho Constitution*, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State.

Legislation was passed during the 2005 legislative session revising *Idaho Code*, Title 40, to address the increasing need for timely improvements to Idaho's highway infrastructure. The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects

utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a liability of the State in violation of the *Idaho Constitution*.

New state debt mainly resulted from Idaho State University, Boise State University, University of Idaho, and the Department of Water Resources issuing revenue bonds and notes in the amounts of \$10.6 million, \$23.1 million, \$29.4 million, and \$6.6 million, respectively, for various projects.

The shadow rating for the State of Idaho improved during the year. Since the State does not issue general obligation debt, a shadow rating is a rating given had such debt been issued. The rating went from Aa3 to Aa2.

Moody's, an investor rating service, has assigned its top issuer rating of MIG1 to the State with a stable outlook for its tax anticipation notes. The State's conservative debt policies have led to modest state debt levels, falling well below national medians. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

The State experienced an improving economy during fiscal year 2005 and expects the same for fiscal year

2006. The fiscal year 2006 General Fund budget is based on an expected revenue growth of 5.1 percent. The cigarette tax increase slated to sunset June 30, 2005, was made permanent. In fiscal year 2006 the Legislature may have to use the proceeds of the cigarette tax increase to help balance the General Fund budget and pay for the cost of water agreements.

The fiscal year 2006 budget includes a maintenance level for state employee health insurance cost, statutory increases for Medicaid and public schools, an enrollment workload adjustment for higher education, and direct costs to keep pace with inmate growth. The basic philosophy of the budget approach for fiscal year 2006 is to cover only those costs associated with our current statutory program responsibilities and not to expand state services or programs.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements

Hispanic Culture



Photos courtesy of the Idaho Historical Museum.

Top: Migrant Worker's Committee responsible for the first Migrant Worker Fiesta in Twin Falls.

Bottom: Migrant Workers from the Wilder Labor Center on a float in the fiesta parade.

Sources

Idaho Museum of Natural History <<http://imnh.isu.edu/digitalatlas/geog/imem/imemfr.htm>>. Accessed on 11/28/05.

Idaho Commission on Hispanic Affairs <<http://www2.state.id.us/icha/>>. Accessed on 11/28/05.

Fran Hodgkins, *Idaho*, Mankato, Minnesota, Capstone Press, 2003, p. 51.

The Hispanic community is the fastest growing part of Idaho's population, increasing 92 percent from 1990 to 2000. About 100,000 people who come from a Spanish-speaking background call Idaho home. Many Hispanics came to Idaho to work as miners, with the majority ending up working in railroad towns and as farm workers.

Much of Idaho's Hispanic population is of Mexican ancestry. As the development of large-scale agriculture grew in Idaho, many Mexicans came to provide the necessary labor needed to make Idaho farms succeed. With this increase in Mexican Americans, the Idaho Association of Mexican Americans was formed in 1976 to help preserve Hispanic traditions such as: strong family bonds, fiestas, and the celebration of holidays like Cinco de Mayo. The growing Hispanic community also led to the establishment of the Idaho Commission on Hispanic Affairs in 1987. Members of this Commission work with government and private organizations to promote equal rights and the understanding of Hispanics and their communities. Hispanic youth also have an opportunity to be involved in their communities every year by discussing important issues at the annual Hispanic Youth Symposium held in Sun Valley.



State of Idaho

Statement of Net Assets

June 30, 2005

(dollars in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash with Treasurer	\$775,132	\$84,789	\$859,921
Cash and Cash Equivalents	17,944	167,706	185,650
Investments	966,583	177,817	1,144,400
Securities Lending Collateral	734,896		734,896
Accounts Receivable, Net	86,765	120,961	207,726
Taxes Receivable, Net	266,638		266,638
Internal Balances	(421)	421	
Due from Other Entities	176,821		176,821
Inventories and Prepaid Items	39,516	13,581	53,097
Due from Primary Government			
Due from Component Unit		78,962	78,962
Loans and Notes Receivable, Net	6,840	139,168	146,008
Other Assets	5,783	13,067	18,850
Restricted Assets:			
Cash and Cash Equivalents	48,021	100,098	148,119
Investments	20,968	26,081	47,049
Capital Assets:			
Nondepreciable	3,327,161	128,966	3,456,127
Depreciable, Net	853,780	629,210	1,482,990
Total Assets	\$7,326,427	\$1,680,827	\$9,007,254
LIABILITIES			
Accounts Payable	\$120,926	\$21,313	\$142,239
Payroll and Related Liabilities	43,263	40,708	83,971
Medicaid Payable	137,079		137,079
Due to Other Entities	27,572	1,571	29,143
Unearned Revenue	34,500	16,385	50,885
Amounts Held in Trust for Others	6,078	2,591	8,669
Due to Primary Government			
Obligations Under Securities Lending	734,896		734,896
Other Accrued Liabilities	28,542	11,009	39,551
Long-Term Liabilities:			
Due Within One Year	63,747	31,479	95,226
Due in More Than One Year	267,747	337,381	605,128
Total Liabilities	1,464,350	462,437	1,926,787
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,968,562	447,206	4,415,768
Restricted for:			
Claims and Judgments	42,389		42,389
Debt Service	9,855	412	10,267
Intergovernmental Revenue Sharing	48,997		48,997
Transportation	120,926		120,926
Regulatory	43,151		43,151
Natural Resources and Recreation	68,006	132,617	200,623
Unemployment Compensation		229,646	229,646
Permanent Trust - Expendable	96,393	57,229	153,622
Permanent Trust - Nonexpendable	788,897	78,667	867,564
Other Purposes	72,463	120,781	193,244
Unrestricted	602,438	151,832	754,270
Total Net Assets	5,862,077	1,218,390	7,080,467
Total Liabilities and Net Assets	\$7,326,427	\$1,680,827	\$9,007,254

The accompanying notes are an integral part of the financial statements.

Component Units
\$55,299
747,200
11,923
1,150
5,657
1,004,770
20,008
13,724
874
21,532
16,726
\$1,898,863
\$872
2,378
14,874
78,962
104,830
147,234
1,129,389
1,478,539
17,956
128,542
63,090
155,762
54,974
420,324
\$1,898,863

State of Idaho

Statement of Activities

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	\$609,348	\$302,554	\$45,798	\$50
Public Safety and Correction	229,158	22,201	17,240	501
Health and Human Services	1,600,692	88,585	1,076,537	
Education	1,331,795	7,560	212,337	1,965
Economic Development	616,149	203,550	331,738	2,687
Natural Resources	205,635	123,183	148,837	8
Interest Expense	18,175			
Total Governmental Activities	4,610,952	747,633	1,832,487	5,211
Business-Type Activities				
College and University	753,689	288,353	212,323	19,965
Unemployment Compensation	142,862	143,828	5,104	
Loan	654	8,508	10,622	
Nonmajor Enterprise Funds	174,896	213,705		
Total Business-Type Activities	1,072,101	654,394	228,049	19,965
Total Primary Government	\$5,683,053	\$1,402,027	\$2,060,536	\$25,176
Component Units				
Idaho Housing and Finance Association	\$78,304	\$79,524		
College and University Foundation	34,748	20,241	\$36,347	
Petroleum Clean Water Trust Fund	2,551	856		
Life and Health Insurance Guaranty	812	792		
Total Component Units	\$116,415	\$101,413	\$36,347	

General Revenues

Sales Tax
Individual and Corporate Taxes
Fuel Tax
Other Taxes
Tobacco Settlement
Permanent Endowment Contributions
Unrestricted Investment Earnings
Payments from State of Idaho

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$260,946)		(\$260,946)	
(189,216)		(189,216)	
(435,570)		(435,570)	
(1,109,933)		(1,109,933)	
(78,174)		(78,174)	
66,393		66,393	
(18,175)		(18,175)	
(2,025,621)		(2,025,621)	
	(\$233,048)	(233,048)	
	6,070	6,070	
	18,476	18,476	
	38,809	38,809	
	(169,693)	(169,693)	
(2,025,621)	(169,693)	(2,195,314)	
			\$1,220
			21,840
			(1,695)
			(20)
			21,345
1,135,210		1,135,210	
1,167,799		1,167,799	
220,801		220,801	
185,375		185,375	
23,145		23,145	
			532
15,595		15,595	
			430
(255,219)	255,219		
2,492,706	255,219	2,747,925	962
467,085	85,526	552,611	22,307
5,394,992	1,132,864	6,527,856	398,017
\$5,862,077	\$1,218,390	\$7,080,467	\$420,324

State of Idaho

Balance Sheet

Governmental Funds

June 30, 2005

(dollars in thousands)

	General	Health and Welfare	Transportation	Public School Endowment
ASSETS				
Cash with Treasurer	\$423,938	\$34,040	\$71,723	\$91
Cash and Cash Equivalents	558	7	2,479	1,982
Investments	21,341		43,478	563,988
Securities Lending Collateral	641,055			63,279
Accounts Receivable, Net	13,113	12,681	2,626	34,811
Taxes Receivable, Net	239,469	155	24,143	
Interfund Receivables	722	4	33	
Due from Other Entities	76	119,876	23,624	
Inventories and Prepaid Items	5,234	4,293	14,497	
Loans and Notes Receivable, Net			387	
Other Assets	61	14	311	1,075
Restricted Assets:				
Cash and Cash Equivalents	64	3,920	4,820	
Investments		2,014		
Total Assets	\$1,345,631	\$177,004	\$188,121	\$665,226
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$19,920	\$13,876	\$21,636	\$33,201
Payroll and Related Liabilities	13,012	9,309	5,940	
Medicaid Payable		137,079		
Interfund Payables	263	551	259	
Due to Other Entities	12		27,548	
Deferred Revenue	86,065	8,878	6,964	
Amounts Held in Trust for Others	242	3,155	117	
Obligations Under Securities Lending	641,055			63,279
Other Accrued Liabilities	12,058	1,609	4,730	
Total Liabilities	772,627	174,457	67,194	96,480
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	23,148	1,143	13,010	
Inventories and Prepaid Items	5,234	4,293	14,497	
Noncurrent Receivables	321		387	
Permanent Trusts				537,181
Other Purposes		5,005	4,703	
Unreserved, Reported in:				
General Fund	544,301			
Special Revenue Funds		(7,894)	88,330	
Permanent Funds				31,565
Total Fund Balances	573,004	2,547	120,927	568,746
Total Liabilities and Fund Balances	\$1,345,631	\$177,004	\$188,121	\$665,226

The accompanying notes are an integral part of the financial statements.

Pooled Endowment	Nonmajor Special Revenue	Total
	\$169,431	\$699,223
\$957	10,176	16,159
272,390	33,982	935,179
30,562		734,896
16,175	7,034	86,440
	2,871	266,638
129	2,735	3,623
	33,245	176,821
	11,285	35,309
	6,453	6,840
521	542	2,524
	39,217	48,021
	18,954	20,968
\$320,734	\$335,925	\$3,032,641

\$16,029	\$16,075	\$120,737
	14,300	42,561
		137,079
	3,144	4,217
	12	27,572
	15,586	117,493
	2,564	6,078
30,562		734,896
	7,125	25,522
46,591	58,806	1,216,155

	9,855	9,855
	16,768	54,069
	11,285	35,309
	8,689	9,397
251,716		788,897
	32,858	42,566
		544,301
	197,664	278,100
22,427		53,992
274,143	277,119	1,816,486
\$320,734	\$335,925	\$3,032,641



Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets June 30, 2005

(dollars in thousands)

Total Fund Balances - Governmental Funds \$1,816,486

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

Land	\$900,100	
Construction in Progress	647,061	
Infrastructure	2,274,216	
Historical Art and Collections	72	
Buildings and Improvements	554,100	
Improvements Other Than Buildings	41,263	
Machinery, Equipment, and Other	290,099	
Accumulated Depreciation	(529,791)	
Total Capital Assets	<u>4,177,120</u>	4,177,120

Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds. 93,835

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 67,560

Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets. 3,034

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:

Capital Leases Payable	(8,636)	
Compensated Absences Payable	(42,435)	
Bonds and Notes Payable	(204,256)	
Accrued Interest on Bonds	(3,020)	
Claims and Judgments	(36,990)	
Other Long-Term Liabilities	(621)	
Total Long-Term Liabilities	<u>(295,958)</u>	(295,958)

Net Assets - Governmental Activities \$5,862,077

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

	General	Health and Welfare	Transportation	Public School Endowment
REVENUES				
Sales Tax	\$1,132,338			
Individual and Corporate Taxes	1,176,903			
Other Taxes	63,058	\$1,681	\$214,022	
Licenses, Permits, and Fees	18,217	4,261	109,392	
Sale of Goods and Services	76,549	78,785	4,666	\$39,420
Grants and Contributions	2,035	1,075,835	250,071	
Investment Income	19,030	105	4,187	50,671
Tobacco Settlement	23,151			
Other Income	22,794	5,853	1,617	
Total Revenues	2,534,075	1,166,520	583,955	90,091
EXPENDITURES				
Current:				
General Government	110,464			
Public Safety and Correction	186,764			
Health and Human Services	22,093	1,539,672		
Education	1,114,798			
Economic Development	18,108		154,196	
Natural Resources	25,368			14,572
Capital Outlay	91,028	3,444	299,206	
Intergovernmental Revenue Sharing	162,709	39,405	123,798	
Debt Service:				
Principal Retirement	152		2,000	
Interest and Other Charges	8,091			
Total Expenditures	1,739,575	1,582,521	579,200	14,572
Revenues Over (Under) Expenditures	794,500	(416,001)	4,755	75,519
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions	26			
Sale of Capital Assets	373	70	6,823	10
Transfers In	128,419	430,759		
Transfers Out	(720,896)	(196)	(15,409)	(22,958)
Total Other Financing Sources (Uses)	(592,078)	430,633	(8,586)	(22,948)
Net Change in Fund Balances	202,422	14,632	(3,831)	52,571
Fund Balances - Beginning of Year, As Restated	370,582	(12,085)	124,758	516,175
Fund Balances - End of Year	\$573,004	\$2,547	\$120,927	\$568,746

Pooled Endowment	Nonmajor Special Revenue	Total
	\$4,800	\$1,137,138
		1,176,903
	127,859	406,620
	112,295	244,165
\$18,074	43,045	260,539
	429,772	1,757,713
24,512	6,052	104,557
		23,151
	17,783	48,047
42,586	741,606	5,158,833
	33,120	143,584
	46,834	233,598
		1,561,765
	209,271	1,324,069
	173,952	346,256
5,595	132,866	178,401
	68,229	461,907
	67,283	393,195
	8,728	10,880
	9,580	17,671
5,595	749,863	4,671,326
36,991	(8,257)	487,507
	26	26
	3,731	3,757
	761	8,037
	35,699	594,877
(14,437)	(75,965)	(849,861)
(14,437)	(35,748)	(243,164)
22,554	(44,005)	244,343
251,589	321,124	1,572,143
\$274,143	\$277,119	\$1,816,486



**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances -- Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005**

(dollars in thousands)

Net Change in Fund Balances - Governmental Funds		\$244,343
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:		
Capital Outlay	265,693	
Depreciation Expense	<u>(49,731)</u>	215,962
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.		(10,586)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. In the current year deferred revenue decreased.		(10,493)
The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year the following debt was incurred:		
Bonds and Notes	(26)	
Capital Leases	<u>(3,756)</u>	(3,782)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:		
Capital Leases	376	
Bond and Note Principal	<u>10,504</u>	10,880
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. In the current year these amounts consisted of:		
Accrued Interest and Amortization	(871)	
Compensated Absences	(1,871)	
Other Long-Term Liabilities	<u>6,892</u>	4,150
Internal service funds are reported separately from governmental funds in the fund statements. In the government-wide statements, internal service funds are included with governmental activities.		<u>16,611</u>
Change in Net Assets - Governmental Activities		<u>\$467,085</u>

Statement of Net Assets

Proprietary Funds

June 30, 2005

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash with Treasurer	\$32,049	\$2,132	\$15,926	\$34,682
Cash and Cash Equivalents	63,036	103,427		1,243
Investments	19,686			
Accounts Receivable, Net	73,084	46,861		1,016
Interfund Receivables	226			233
Inventories and Prepaid Items	5,063			8,518
Loans and Notes Receivable, Net	4,117		4,263	
Other Current Assets	3,017	569	2,613	241
Total Current Assets	200,278	152,989	22,802	45,933
Noncurrent Assets				
Restricted Cash and Cash Equivalents	2,651		95,193	2,254
Investments	78,715	79,416		
Restricted Investments	26,081			
Due from Component Unit	78,962			
Loans and Notes Receivable, Net	20,643		110,145	
Other Long-Term Assets	6,627			
Capital Assets, Net	725,738		27,358	5,080
Total Noncurrent Assets	939,417	79,416	232,696	7,334
Total Assets	\$1,139,695	\$232,405	\$255,498	\$53,267
LIABILITIES				
Current Liabilities				
Accounts Payable	\$13,881	\$2,759		\$4,673
Payroll and Related Liabilities	39,947			761
Interfund Payables				38
Due to Other Entities			\$11	1,560
Unearned Revenue	16,366			19
Amounts Held in Trust for Others	2,591			
Other Accrued Liabilities	7,052		319	3,638
Capital Leases Payable	331			51
Capital Leases Payable to Component Unit	235			
Compensated Absences Payable	15,984			830
Bonds and Notes Payable	12,635		1,413	
Policy Claim Liabilities				
Total Current Liabilities	109,022	2,759	1,743	11,570
Noncurrent Liabilities				
Capital Leases Payable	1,068			
Capital Leases Payable to Component Unit	3,422			
Bonds and Notes Payable	322,953		9,938	
Policy Claim Liabilities				
Total Noncurrent Liabilities	327,443		9,938	
Total Liabilities	436,465	2,759	11,681	11,570
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	426,170		16,007	5,029
Restricted for:				
Claims and Judgments				
Debt Service			412	
Permanent Trust - Expendable	57,229			
Permanent Trust - Nonexpendable	78,667			
Other Purposes			94,781	26,000
Unrestricted	141,164	229,646	132,617	10,668
Total Net Assets	703,230	229,646	243,817	41,697
Total Liabilities and Net Assets	\$1,139,695	\$232,405	\$255,498	\$53,267

The accompanying notes are an integral part of the financial statements.

Governmental Activities	
Total	Internal Service Funds
\$84,789	\$75,909
167,706	1,785
19,686	
120,961	325
459	242
13,581	4,207
8,380	
6,440	225
422,002	82,693
100,098	
158,131	31,404
26,081	
78,962	
130,788	
6,627	
758,176	3,821
1,258,863	35,225
\$1,680,865	\$117,918
\$21,313	\$189
40,708	702
38	69
1,571	
16,385	10,842
2,591	
11,009	
382	456
235	
16,814	639
14,048	
	7,027
125,094	19,924
1,068	198
3,422	
332,891	
	30,236
337,381	30,434
462,475	50,358
447,206	3,167
	42,389
412	
57,229	
78,667	
120,781	
514,095	22,004
1,218,390	67,560
\$1,680,865	\$117,918

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		\$137,583		
Licenses, Permits, and Fees (net scholarship allowances of \$42,577)	\$45,590		\$304	\$2
Student Fees Pledged for Revenue Bonds	131,669			
Sale of Goods and Services	20,235		4,932	213,266
Sale of Goods and Services Pledged for Revenue Bonds	66,414		926	
Grants and Contributions	183,605	5,104	10,622	
Other Income	9,304			56
Total Operating Revenues	456,817	142,687	16,784	213,324
OPERATING EXPENSES				
Personnel Costs	455,769			11,847
Services and Supplies	177,722		212	73,205
Benefits, Awards, and Premiums	45,260	142,862		69,593
Depreciation	44,619		137	847
Other Expenses	14,513		18	2,882
Total Operating Expenses	737,883	142,862	367	158,374
Operating Income (Loss)	(281,066)	(175)	16,417	54,950
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	28,718			
Investment Income	14,037	6,243	2,346	380
Interest Expense	(14,865)		(287)	
Intergovernmental Distributions				(16,520)
Gain (Loss) on Sale of Capital Assets	(941)			(2)
Other Nonoperating Revenues (Expenses)	1,104	2		1
Total Nonoperating Revenues (Expenses)	28,053	6,245	2,059	(16,141)
Income (Loss) Before Contributions and Transfers	(253,013)	6,070	18,476	38,809
Capital Contributions	19,965			
Transfers In	268,559		31,300	
Transfers Out		(4,145)		(40,495)
Change in Net Assets	35,511	1,925	49,776	(1,686)
Total Net Assets - Beginning of Year	667,719	227,721	194,041	43,383
Total Net Assets - End of Year	\$703,230	\$229,646	\$243,817	\$41,697

Governmental Activities	
Total	Internal Service Funds
\$137,583	
45,896	\$48
131,669	
238,433	192,350
67,340	
199,331	42
9,360	417
829,612	192,857
467,616	11,511
251,139	15,269
257,715	149,213
45,603	1,183
17,413	2,291
1,039,486	179,467
(209,874)	13,390
28,718	
23,006	3,514
(15,152)	(56)
(16,520)	
(943)	(50)
1,107	48
20,216	3,456
(189,658)	16,846
19,965	
299,859	
(44,640)	(235)
85,526	16,611
1,132,864	50,949
\$1,218,390	\$67,560

Statement of Cash Flows**Proprietary Funds****For the Fiscal Year Ended June 30, 2005***(dollars in thousands)*

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		\$133,067
Receipts from Customers	\$256,348	
Receipts for Interfund Services		
Receipts from Grants and Contributions	180,928	5,104
Payments to Suppliers	(180,944)	
Payments to Employees	(453,986)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(50,420)	(141,060)
Other Receipts (Payments)	(2,870)	
Net Cash Provided (Used) by Operating Activities	(250,944)	(2,889)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	31,107	
Intergovernmental Distributions		
Transfers In	268,559	
Transfers Out		(4,145)
Interest Paid		
Other Receipts (Payments)	450	
Net Cash Provided (Used) by Noncapital Financing Activities	300,116	(4,145)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	18,338	
Bonds Issued	23,877	
Payment of Bonds	(39,960)	
Capital Lease Payments		
Proceeds from Disposition of Capital Assets	18	2
Acquisition and Construction of Capital Assets	(54,184)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(51,911)	2
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	4,242	6,039
Purchase of Investments	(133,059)	
Redemption of Investments	119,160	185
Net Cash Provided (Used) by Investing Activities	(9,657)	6,224
Net Increase (Decrease) in Cash and Cash Equivalents	(12,396)	(808)
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer, as Restated	110,132	106,367
Ending Cash, Cash Equivalents, and Cash with Treasurer	\$97,736	\$105,559
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$281,066)	(\$175)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	44,619	
Maintenance Costs Paid by Dept. of Public Works	766	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(14,781)	(4,517)
Inventories and Prepaid Items	349	
Notes Receivable	4,116	
Other Current Assets	(2,823)	
Accounts Payable/Interfund Payables	838	1,803
Unearned Revenue	(2,956)	
Compensated Absences		
Policy Claim Liabilities		
Other Accrued Liabilities	(6)	
Net Cash Provided (Used) by Operating Activities	(\$250,944)	(\$2,889)

Noncash Transactions (dollars in thousands): Investments increased in fair value by \$8,121 for colleges, \$293 for Unemployment Compensation, and \$110 for internal service funds. Capital assets were donated to colleges in the amount of \$94 and were disposed at a loss of \$941 for colleges, \$2 for nonmajor enterprise funds, and \$50 for internal service funds. Capital assets were acquired by capital lease in the amount of \$31 for colleges and \$636 for internal service funds. Capital assets were acquired by notes payable in the amount of \$6,566 for the Loan fund.

The accompanying notes are an integral part of the financial statements.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$133,067	
\$19,982	\$214,260	490,590	\$432
506	9	515	193,445
10,873		196,905	33
(21,282)	(73,916)	(276,142)	(17,202)
	(11,621)	(465,607)	(11,518)
(13)	(177)	(190)	(2,274)
	(67,992)	(259,472)	(147,123)
(39)		(2,909)	225
10,027	60,563	(183,243)	16,018
		31,107	
	(16,590)	(16,590)	
31,300		299,859	
	(40,495)	(44,640)	(235)
(340)		(340)	(56)
		450	
30,960	(57,085)	269,846	(291)
		18,338	
		23,877	
(46)		(40,006)	
	(50)	(50)	(641)
	1	21	48
(16,007)	(585)	(70,776)	(870)
(16,053)	(634)	(68,596)	(1,463)
2,345	380	13,006	3,434
		(133,059)	(1,302)
		119,345	861
2,345	380	(708)	2,993
27,279	3,224	17,299	17,257
83,840	34,955	335,294	60,437
\$111,119	\$38,179	\$352,593	\$77,694
\$16,417	\$54,950	(\$209,874)	\$13,390
137	847	45,603	1,182
		766	
	947	(18,351)	481
	1,027	1,376	(1,622)
(5,510)		(1,394)	
(975)	270	(3,528)	(262)
11	1,070	3,722	1
	(2)	(2,958)	864
	50	50	(1)
	1,601	1,601	2,088
(53)	(197)	(256)	(103)
\$10,027	\$60,563	(\$183,243)	\$16,018

*State of Idaho***Statement of Fiduciary Net Assets****Fiduciary Funds****June 30, 2005***(dollars in thousands)*

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash with Treasurer	\$3,521	\$257,924		\$8,714
Cash and Cash Equivalents	1,041	3,647	\$74	6,281
Investments:				
Pooled Short Term	512,185	97,167	3,907	
Fixed Income Investments	2,253,963	172,643		167,323
Marketable Securities	5,625,917			
Mutual Funds and Private Equities	388,200		53,379	
Mortgages and Real Estate	339,285	615,146		
Other Investments			11,828	6,827
Securities Lending Collateral		701,756		
Receivables:				
Investments Sold	819,111		1	
Contributions	5,330			
Interest and Dividends	36,681	8,297	9	9,149
Interfund Receivables	1,294			
Other Receivables	128		32	
Other Assets	27,754			
Capital Assets, Net	3,517			
Total Assets	10,017,927	1,856,580	69,230	198,294
LIABILITIES				
Accounts Payable	116		38	
Interfund Payables	1,294			
Due to Other Entities				1,471
Amounts Held in Trust for Others				194,855
Obligations Under Securities Lending		701,756		
Investments Purchased	1,139,739		25	
Other Accrued Liabilities	7,488	241		1,968
Total Liabilities	1,148,637	701,997	63	\$198,294
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	8,685,837			
Postemployment Healthcare Benefits	183,453			
External Investment Pool Participants		1,154,583		
Trust Beneficiaries			69,167	
Total Net Assets	\$8,869,290	\$1,154,583	\$69,167	

The accompanying notes are an integral part of the financial statements.

State of Idaho

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private- Purpose Trust
ADDITIONS			
Contributions:			
Member	\$167,460		
Employer	264,427		
Transfers In from Other Plans	8,276		
Participant Deposits		\$3,164,698	\$23,414
Total Contributions	440,163	3,164,698	23,414
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	622,099	(133,228)	2,181
Interest, Dividends, and Other	235,133	38,762	2,295
Securities Lending Income		1,019	
Less Investment Expense:			
Investment Activity Expense	(33,881)	(377)	
Securities Lending Expense		(306)	
Net Investment Income	823,351	(94,130)	4,476
Miscellaneous Income	1,687		
Total Additions	1,265,201	3,070,568	27,890
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	389,881		
Transfers Out to Other Plans	3,458		
Administrative Expense	7,228		330
Earnings Distribution		28,419	
Participant Withdrawals		3,280,963	5,561
Total Deductions	400,567	3,309,382	5,891
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	846,119		
Employee Postemployment Healthcare Benefits	18,515		
External Investment Pool Participants		(238,814)	
Trust Beneficiaries			21,999
Net Assets - Beginning of Year	8,004,656	1,393,397	47,168
Net Assets - End of Year	\$8,869,290	\$1,154,583	\$69,167

The accompanying notes are an integral part of the financial statements.

State of Idaho

Statement of Net Assets

Component Units

June 30, 2005

(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Life and Health Insurance Guaranty	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$35,762	\$17,928	\$1,041	\$568	\$55,299
Investments	173,585	11,361	4,155	7,916	197,017
Accounts Receivable, Net		11,534	389		11,923
Inventories and Prepaid Items		1,150			1,150
Due from Primary Government		235	2,000		2,235
Loans and Notes Receivable, Net	250,000	45			250,045
Other Current Assets	17,652	1,230		37	18,919
Total Current Assets	476,999	43,483	7,585	8,521	536,588
Noncurrent Assets					
Restricted Cash and Cash Equivalents		13,724			13,724
Investments	263,854	256,748	29,581		550,183
Restricted Investments		874			874
Due from Primary Government		3,422			3,422
Loans and Notes Receivable, Net	753,632	1,093			754,725
Other Long-Term Assets		1,089			1,089
Capital Assets, Net	6,503	31,754		1	38,258
Total Noncurrent Assets	1,023,989	308,704	29,581	1	1,362,275
Total Assets	\$1,500,988	\$352,187	\$37,166	\$8,522	\$1,898,863
LIABILITIES					
Current Liabilities					
Accounts Payable		\$871		\$1	\$872
Unearned Revenue		2,367		11	2,378
Amounts Held in Trust for Others		7,216			7,216
Other Accrued Liabilities	\$98,444	5,914	\$112	360	104,830
Bonds and Notes Payable	136,105	8,692			144,797
Policy Claim Liabilities			2,346	91	2,437
Total Current Liabilities	234,549	25,060	2,458	463	262,530
Noncurrent Liabilities					
Amounts Held in Trust for Others		7,658			7,658
Due to Primary Government		78,962			78,962
Bonds and Notes Payable	1,096,095	28,818			1,124,913
Policy Claim Liabilities			4,476		4,476
Total Noncurrent Liabilities	1,096,095	115,438	4,476		1,216,009
Total Liabilities	1,330,644	140,498	6,934	463	1,478,539
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	6,503	11,452		1	17,956
Restricted for:					
Debt Service	128,542				128,542
Permanent Trust - Expendable		63,090			63,090
Permanent Trust - Nonexpendable		155,762			155,762
Unrestricted	35,299	(18,615)	30,232	8,058	54,974
Total Net Assets	170,344	211,689	30,232	8,059	420,324
Total Liabilities and Net Assets	\$1,500,988	\$352,187	\$37,166	\$8,522	\$1,898,863

The accompanying notes are an integral part of the financial statements.

State of Idaho

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Component Units

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Life and Health Insurance Guaranty	Total
OPERATING REVENUES					
Licenses, Permits, and Fees	\$8,439		\$97		\$8,536
Sale of Goods and Services		\$195		\$72	267
Grants and Contributions		32,405			32,405
Contributions Pledged for Revenue Bonds		3,942			3,942
Other Income	1,880	877	7	500	3,264
Total Operating Revenues	10,319	37,419	104	572	48,414
OPERATING EXPENSES					
Personnel Costs	6,157	1,076		75	7,308
Services and Supplies	4,189	2,596	1,426	53	8,264
Benefits, Awards, and Premiums	964	22,092	1,125	177	24,358
Depreciation	506	289		1	796
Other Expenses	4,360	7,744		506	12,610
Total Operating Expenses	16,176	33,797	2,551	812	53,336
Operating Income (Loss)	(5,857)	3,622	(2,447)	(240)	(4,922)
NONOPERATING REVENUES (EXPENSES)					
Appropriation from State		430			430
Investment Income	69,205	10,871	752	220	81,048
Interest Expense	(62,128)	(951)			(63,079)
Gain (Loss) on Sale of Capital Assets		8,338			8,338
Other Nonoperating Revenues (Expenses)		(40)			(40)
Total Nonoperating Revenues (Expenses)	7,077	18,648	752	220	26,697
Income (Loss) Before Contributions and Transfers	1,220	22,270	(1,695)	(20)	21,775
Contributions to Permanent Endowments		532			532
Change in Net Assets	1,220	22,802	(1,695)	(20)	22,307
Total Net Assets - Beginning of Year, as Restated	169,124	188,887	31,927	8,079	398,017
Total Net Assets - End of Year	\$170,344	\$211,689	\$30,232	\$8,059	\$420,324

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

INDEX

Note 1.	Summary of Significant Accounting Policies	
	A. Reporting Entity.....	37
	B. Government-Wide and Fund Financial Statements	39
	C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	41
	D. Assets and Liabilities	41
	E. Fund Equity.....	44
	F. Newly Issued Accounting Pronouncements.....	44
Note 2.	Deposits and Investments	
	A. Deposits	44
	B. Investments	45
Note 3.	External Investment Pools	
	A. Overview of the External Investment Pools.....	58
	B. Local Government Investment Pool (LGIP).....	60
	C. Diversified Bond Fund (DBF).....	63
Note 4.	Interfund Balances and Transfers	
	A. Interfund Balances.....	66
	B. Interfund Transfers	67
Note 5.	Noncurrent Loans and Notes Receivable	67
Note 6.	Capital Assets	68
Note 7.	Retirement Plans	
	A. Public Employee Retirement Fund Base Plan.....	70
	B. Firemen's Retirement Fund	72
	C. Defined Contribution Retirement Plans.....	72
	D. Judges' Retirement Fund	72
	E. College and University Optional Retirement Plan	74
	F. Department of Labor Retirement Plan	75
Note 8.	Postemployment Benefits	
	A. Postemployment Benefits Other Than Pensions	75
	B. Postemployment Healthcare Benefits Administered by the Public Employee Retirement System of Idaho	77
Note 9.	Risk Management	78
Note 10.	Leases	
	A. State as Lessee	79
	B. State as Lessor	80
Note 11.	Short-Term Debt	81
Note 12.	Bonds/Notes/Other Long-Term Liabilities	
	A. Compensated Absences	81
	B. Revenue Bonds	81
	C. Advance Refundings.....	83
	D. Notes Payable	84
	E. Claims and Judgments	85
	F. Changes in Long-Term Liabilities	86
	G. Conduit Debt.....	87
Note 13.	Fund Equity	
	A. Restatement of Beginning Fund Balances and Net Assets.....	87
	B. Net Assets Restricted by Enabling Legislation	87
Note 14.	Litigation, Contingencies, and Commitments	
	A. Litigation and Contingencies	88
	B. Commitments.....	89
Note 15.	Subsequent Events.....	90

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

In March 2003 the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement enables readers to better determine the potential for risks associated with investments and deposits. The State implemented this Statement during the fiscal year ended June 30, 2005.

In May 2004 the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This Statement provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements to assess the government's economic condition. The State implemented this Statement during the fiscal year ended June 30, 2005.

In December 2004 the GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement is intended to enhance the usefulness and comparability of net asset information reported by governments. The statement clarifies the meaning of the phrase legally enforceable as it applies to restrictions imposed on net asset use and specifies the accounting and financial reporting requirements for those restricted net assets. The State implemented this Statement during the fiscal year ended June 30, 2005.

The financial statements are presented as of and for the year ended June 30, 2005, except for the State Bar, the Idaho Dairy Products Commission (nonmajor special revenue fund), the Petroleum Clean Water Trust Fund and the Idaho Life and Health Insurance Guaranty Association (discretely presented component units), whose statements are as of and for the fiscal year ended December 31, 2004; and the Idaho Potato Commission (nonmajor special revenue fund) whose statements are as of and for the year ended August 31, 2005.

A. Reporting Entity

The State of Idaho is governed under the *Idaho Constitution* of 1890, as amended. The legislative power is vested in a 35-member Senate and a 70-member House of Representatives; executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General and

Superintendent of Public Instruction; and the judicial power is vested in the Idaho Supreme Court, the Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. The State also considered potential component units and affiliated organizations which are legally separate for which it is financially accountable and other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. As defined by GASB Statement No. 14, *The Financial Reporting Entity*, (as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*), financial accountability exists if either:

1. The State appoints a voting majority of the organization's governing board and the State is able to impose its will on the organization or a potential exists for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State; or,
2. The organization's resources or income are used entirely or almost entirely for the benefit of the State or the State has the ability to access a majority of the economic resources received or held by the organization, and the economic resources of the organization are material to the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the State and blended into the appropriate funds.

The *Idaho State Building Authority* was created by *Idaho Code*, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. GASB Statement No. 14 requires the Idaho State Building Authority to be presented as a blended component unit because the Board is appointed by the Governor; the Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are legally separate from the State but are financially accountable to the State, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are reported in a separate column to emphasize that they are legally separate from the primary government.

The *Idaho Housing and Finance Association* (IHFA) was created by *Idaho Code*, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income and for facilitating the issuance of bonds or notes to finance projects for transportation infrastructure. The Governor appoints IHFA board members. The IHFA is authorized to enter into agreements with the Idaho Transportation Department (ITD) to facilitate transportation projects, including issuing bonds. The ITD is required to transfer funds to the IHFA for payment of any bonds or notes, creating a financial benefit/burden relationship. The IHFA is presented discretely as an enterprise fund.

The *College and University Foundation* fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting donations and to hold and manage invested donations for the primary benefit of the respective colleges and universities. The College and University Foundation fund is presented discretely as an enterprise fund.

The *Petroleum Clean Water Trust Fund* (PCWTF) was created by the Idaho Legislature in *Idaho Code*, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The PCWTF is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the PCWTF's annual budget and thereby has the ability to impose its will on the PCWTF. The PCWTF is presented discretely as an enterprise fund.

The *Life and Health Insurance Guaranty Association* is a nonprofit organization authorized by the *Idaho Life and Health Insurance Guaranty Association Act* of 1977, *Idaho Code*, Section 41-4306. The Act was passed to provide a mechanism for the payment of covered claims

under certain insurance policies when an insurer becomes insolvent. All insurance companies that sell direct and supplemental life, disability policies, and annuity contracts are required to be members of the Association as a condition of their authority to transact business in Idaho. Member insurers select the board members; however, the director of the Department of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against their premium taxes (thereby reducing tax revenues to the State). This imposes a potential direct financial burden on the State. The Association is presented discretely as an enterprise fund.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority
960 Broadway, Suite 500
Boise, ID 83706

Idaho Housing and Finance Association
565 W. Myrtle
Boise, ID 83702

Boise State University Foundation, Inc.
Boise State University
Vice President for Finance and Administration
1910 University Drive
Boise, ID 83725-1200

Eastern Idaho Technical College Foundation, Inc.
Eastern Idaho Technical College
Business Services Division
1600 S 25th E
Idaho Falls, ID 83404-5788

Idaho State University Foundation, Inc.
Idaho State University
Financial Services
921 South 8th Avenue
Pocatello, ID 83209

Lewis-Clark State College Foundation, Inc.
Lewis-Clark State College
Controller's Office
500 8th Avenue
Lewiston, ID 83501

University of Idaho Foundation, Inc.
University of Idaho
Finance and Administration
P.O. Box 443168
Moscow, ID 83844-3168

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

Petroleum Clean Water Trust Fund
Department of Insurance
700 W. State Street, 3rd Floor
Boise, ID 83720

Idaho Life and Health Insurance Guaranty Association
8324 Northview, Suite 104
Boise, ID 83704

Related Organizations

Related organizations are organizations for which the State is not financially accountable (because it does not impose its will or have a financial benefit or burden relationship), although the State appoints a voting majority of the organization's board. The financial reports of these organizations are excluded from the State's financial statements.

The *State Insurance Fund* was created by *Idaho Code*, Section 72-901. The Governor appoints board members, but the State does not impose its will on the organization and no financial benefit/burden relationship exists. Therefore, the State Insurance Fund is considered a related organization of the State of Idaho.

The *Health Facilities Authority* (HFA) was created by *Idaho Code*, Section 39-1444. The Governor appoints board members, but the State does not impose its will on the organization and no significant financial benefit/burden relationship exists. Therefore, the HFA is considered a related organization of the State of Idaho.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The Statement of Net Assets and Statement of Activities report information on nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

Statement of Net Assets

The Statement of Net Assets presents the State's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when third parties, constitutional provisions, or enabling legislation impose constraints on net asset use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available. Restricted net asset balances will fluctuate as related accounting transactions occur.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The arithmetic difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

To better reflect the break-even emphasis of the internal service funds, the net income or loss from business

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

conducted with primary government customers is eliminated. Eliminations are made to the operating expenses or revenues of the participating functions.

Fund Statements

The financial activities of the State are recorded in individual funds to report the financial position and results of the operations of the State. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Reimbursements are eliminated in the financial statements to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include federal grant pass-throughs from one state agency to another and the allocation of central human resource costs to all agencies.

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education (other than those reported in the college and university fund), economic development, and natural resources. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for administration, construction, and maintenance of the state highway and aviation systems.

The *Public School* and *Pooled Endowment* funds account for land grants received from the federal government under the *Idaho Admissions Act* and the sale or lease of such lands.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to Idaho municipalities to make improvements to wastewater and drinking water systems.

Additionally, the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for financial resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions occur if they directly result from the provision of goods or services to customers, or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

Fiduciary Fund Types

Pension trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefits.

Investment trust funds account for the investments deposited by participants in the State's Local Government Investment Pool and Diversified Bond Fund.

Agency funds account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries.

The *private-purpose trust fund* accounts for fiduciary activities of the State that are not appropriately accounted for as pension or investment trust funds. Idaho's private-purpose trust fund accounts for the activities of the IDEal Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to IDEal College Savings Program, P.O. Box 55254, Boston, MA 02205-8675.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual,

generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, requires proprietary activities to apply all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary activities may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The State has elected not to apply FASB pronouncements issued after November 30, 1989, for proprietary activities.

D. Assets and Liabilities

Cash with Treasurer

Cash balances of most funds are deposited with the State Treasurer's Office. Balances not required to meet immediate needs are pooled in an internal investment pool for short-term investment, which is reported as part of Cash with Treasurer. *Idaho Code*, Sections 67-1210 and 67-1210A, governs investment policies of the State Treasurer.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money markets; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the purchase date.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

Investments

The State Treasurer's Office (STO) and other administrative bodies manage investments as determined by state law. The STO manages investments of state funds and funds of other qualified entities within the State in accordance with *Idaho Code*, Sections 67-1201 through 67-1222. See Note 2 for more information.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency funds. Investments received as escheat property, which are not held for investment purposes and have no readily ascertainable fair value, are valued at \$1 per share and are presented in the General Fund. The external portions of the State's two external investment pools are reported as investment trust funds at fair value. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost.

The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the Endowment funds are permitted to make investments in accordance with the *Idaho Uniform Prudent Investor Act*, Sections 68-501 through 68-514, of the *Idaho Code*.

Securities Lending Collateral

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Note 2 for more information.

Receivables, Net

Receivables in the General Fund consist primarily of sales and income taxes. Special revenue fund receivables consist primarily of public assistance and gas taxes. Proprietary fund receivables occur as part of the ordinary course of business. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements.

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to

another. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivables and payables balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Due from Other Entities

Due from other entities is comprised mainly of federal grant revenues receivable.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Prepaids are accounted for using the consumption method.

Other Assets

Other assets include interest receivable, assets in liquidation, and other miscellaneous items.

Capital Assets, Net

Capital assets include all infrastructure, land, buildings and improvements, construction in progress, historical art and collections, improvements other than buildings, machinery and equipment, and other capital assets. Assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's utility or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for business-type activities.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. Revenue is recognized for donated capital assets, which are recorded at the estimated fair value at the date of donation. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Endowment land originally granted to the State by the federal government

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

is valued at one dollar per acre. For more information regarding endowment land, refer to donor-restricted investments in Note 2.

All capital assets, with the exception of roads, right-of-ways, land, construction in progress, historical art and collections, and certain intangible or amortized assets are depreciated.

For all depreciable major asset classes, depreciation is calculated on a straight-line basis over their estimated useful lives, as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and right-of-ways are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The State's Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections are not capitalized unless those collections were already capitalized on June 30, 1999. Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, State Capitol related artifacts, furnishings, films, statues, and monuments. Historical art and collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for collection.

Payables

Payables in the General Fund consist primarily of short-term vendor obligations. Accounts payable in the special revenue funds relate primarily to public assistance—the largest being Medicaid. The largest enterprise fund payable is for the College and University fund, which is mostly comprised of vendor obligations. The Public Employee Retirement System of Idaho investment

purchases comprise the primary fiduciary fund payable. All fund types have generic vendor payables.

Unearned/Deferred Revenue

Unearned revenue is recognized when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

Amounts Held in Trust for Others

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is generally returned to the owner. Occasionally, the owner may default on the conditions and the asset held in trust becomes the property of the State and revenue would be recorded at that time.

Obligations Under Securities Lending

Obligations under securities lending consists of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Note 2 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of interest payable, unclaimed property, and other accrued liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities include the following:

Capital Leases Payable consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State.

Compensated Absences Payable includes vacation and compensatory time earned by employees but not paid.

Bonds and Notes Payable consists of notes and bonds issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

and amortized over the life of the loan. See Note 12 for further explanation.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated.

Claims and Judgments are payables on behalf of the State and its agencies for various legal proceedings and claims.

Other Long-Term Liabilities consists mainly of a net pension obligation.

E. Fund Equity

Fund equity represents the difference between fund assets and fund liabilities. The governmental fund equity is called fund balance, while the government-wide, proprietary, and fiduciary fund equity is called net assets. Reservations of fund balance and restricted net assets identify assets that are not available for appropriation for expenditure or are legally segregated for a specific future use.

F. Newly Issued Accounting Pronouncements

In November 2003 the GASB issued Statement No. 42, *Impairment of Capital Assets and Insurance Recovery*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this

Statement are effective for the fiscal year ending June 30, 2006.

In June 2005 the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are terminated. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this statement are effective for the fiscal year ending June 30, 2006.

In April 2004 the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes requirements for reporting postemployment benefits other than pensions and provides users with information to assess the funded status of the plan. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2007.

In June 2004 the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs). This statement establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this statement are effective for the fiscal year ending June 30, 2008.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost. Legal provisions regarding deposits are found throughout *Idaho Code*, Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all monies except for the following: Petroleum Clean Water Trust Fund, the Idaho Life and Health Guaranty Association, Idaho Housing and Finance Association, and college and university foundations (discretely presented component units); the Idaho State Building Authority (blended component unit); endowment funds (permanent funds); the State Bar, Potato Commission, Dairy Products Commission, and Wheat Commission

(nonmajor special revenue funds); the State Lottery, some of the colleges and universities (enterprise funds), and the Public Employee Retirement System of Idaho (fiduciary fund). In accordance with *Idaho Code*, Section 67-1210, all idle cash deposited with the STO is invested in various types of investments. Interest received on investments from the Idle Fund is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds.

Custodial credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State's policy for managing custodial

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

credit risk can be found in *Idaho Code*, Section 67-2739. The STO designates which financial institutions are qualified as state depositories. The amount of state funds above the total covered by federal insurance that is deposited with a qualified institution may not exceed the total of that depository's capital and surplus. Every designated depository must file an annual affidavit showing the amount of the financial institution's capital stock and surplus.

Any one of the following circumstances exposes a deposit to custodial credit risk:

- Deposits are uninsured and uncollateralized.
- Deposits are uninsured and collateralized with securities held by the pledging financial institution.
- Deposits are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but are not held in the State's name.

Deposit Balances and Custodial Credit Risk at June 30, 2005 (dollars in thousands)

	Carrying Value	Bank Value	Uninsured and Uncollateralized Deposits
Governmental and Business-Type Activity	\$1,193,690	\$1,227,130	\$11,732
Fiduciary Funds	281,202	314,104	3,974
Discretely Presented Component Units	69,023	69,024	13,626
Total	\$1,543,915	\$1,610,258	\$29,332

B. Investments

General Investment Policies

Idaho Code, Section 68-502, stipulates the standard to be followed by state investment personnel is the *Idaho Uniform Prudent Investor Act*. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with *Idaho Code*, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles all short-term investing and outsources all long-term investing.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. All investments are valued in accordance with GASB Statement No. 31, as described in Note 1.

Types of Investments

Idaho Code, Section 67-1210, authorizes the Treasurer's Pooled Idle Fund and agencies with investment authority

to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971, the Federal Home Loan Bank Board, the Federal National Mortgage Association, and the Federal Home Loan Bank
- Obligations of Idaho public corporations
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories; state and federal loan associations, or state and federal credit unions within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

- Money market funds whose portfolios consist of investments specified in this section must be denominated in U.S. dollars

Idaho Code, Section 67-1210A, authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Corporate bonds, notes, and debentures of any U.S. company with at least an A rating by a nationally recognized statistical rating organization (NRSRO) such as Standard & Poor's or Moody's

The Endowment Fund Investment Board (EFIB) manages investment of Idaho's two permanent funds, the Public School Endowment fund and the Pooled Endowment fund. *Idaho Code*, Section 57-720, gives the EFIB the authority to formulate investment policies of the permanent endowment funds and earnings reserve funds. *Idaho Code*, Section 57-723, stipulates that the EFIB and its investment manager(s) are governed by the *Idaho Uniform Prudent Investor Act*. In addition to the investment types mentioned above, the EFIB has approved the following types of investments:

- Preferred stock
- International equities
- Collateralized mortgage obligations
- Fixed income securities with a minimum Baa rating by Moody's or equivalent rating, Yankee bonds with a minimum A rating, equity-linked debt with a minimum rating of A, pass-through mortgage backed securities with a minimum Aaa or equivalent rating
- Derivative instruments, specifically covered call options
- Forward currency contracts
- Forward and futures contracts to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed upon price

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established an investment policy in accordance with *Idaho Code*, Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the EFIB, PERSI has approved the following types of investments:

- Treasury inflation protected securities
- Derivative instruments, specifically, futures, options, swaps, repurchase agreements and forward currency contracts by a few selected managers

Investments at June 30, 2005

(dollars in thousands)

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total
Investments	\$966,583	\$177,817	\$10,247,770	\$11,392,170
Restricted Investments	20,968	26,081		47,049
Total Investments	\$987,551	\$203,898	\$10,247,770	\$11,439,219

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2005, the Judge's Retirement fund (fiduciary fund) had \$4.1 million federal agency securities, \$10.8 million corporate bonds, and \$38.0 million equity securities held by the broker-dealer (counterparty), not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.

The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments be registered in the name of PERSI and be delivered to a third party custodian. Short-term investments are created through daily sweeps of excess cash. At June 30, 2005, PERSI had various short-term investments created by daily sweeps of excess cash of \$14.0 million held by various counterparties, not in the name of PERSI.

Interest Rate Risk

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The State has not adopted a formal policy that addresses

interest rate risk. All investment managers are governed by the *Uniform Prudent Investor Act* as detailed in *Idaho Code*, Sections 68-501 through 68-514. The EFIB and PERSI have adopted policies to address interest rate risk as follows:

- EFIB has adopted the policy that the fixed income weighted average of the EFIB portfolio may not exceed that of the Lehman Aggregate Index by more than one-half year.
- PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the schedule following Primary Government and Endowment Funds quantifies the interest rate risk of the PERSI fixed income assets.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Primary Government Investments at June 30, 2005 (Except Endowment Funds and PERSI)

(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-30 Years	Total Fair Value
<u>Debt Securities:</u>							
Money Market Funds	\$527,010						\$527,010
Repurchase Agreements	97,167	\$30,189					127,356
Commercial Paper	157,274	580	\$674				158,528
U.S. Government Obligations	181,524	56,333	7,652	\$128			245,637
U.S. Gov't Agency Obligations	472,027	391,870	7,404	10,224			881,525
Mortgage-Backed Securities*	1,615	65,496	16,236			\$671	84,018
Commercial Mortgages		1,071	2,281				3,352
Corporate Obligations	78,026	86,360	16,865	3,573			184,824
Municipal and Public Entity Obligations	4,200		63				4,263
Mutual Funds and Other							
Pooled Fixed Income Securities	586	6,628	6,024	6,356	\$844	460	20,898
External Investment Pool		209,448					209,448
Total Debt Securities	<u>\$1,519,429</u>	<u>\$847,975</u>	<u>\$57,199</u>	<u>\$20,281</u>	<u>\$844</u>	<u>\$1,131</u>	<u>2,446,859</u>
<u>Other Investments:</u>							
Equity Mutual Funds							35,517
Preferred Stock							29,725
Equity Securities							39,636
Investment Agreement							11,828
<u>Reconciling Items:</u>							
Public School Endowment and Pooled Endowment Investments Reported Separately Below							836,378
PERSI Investments (Part of Fiduciary Funds) Reported Separately Below							9,066,561
Less Idle Pool Cash Equivalents Included with Investments for Note Disclosure Purposes							(498,960)
Less Cash Equivalents Included With Investments for Note Disclosure Purposes							(528,325)
Primary Government and Fiduciary Funds Investment Per Financial Statements							<u>\$11,439,219</u>

Cash collateral received for securities lending transactions is reinvested for less than one year.

*Mortgage-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

Endowment Funds Interest Rate Risk at June 30, 2005

(dollars in thousands)

Investment Type	Fair Value	Modified Duration In Years
<u>Debt Securities:</u>		
Northern Lehman Aggregate Index Fund	\$211,391	4.15
Northern U.S. TIPS Index Fund	26,039	6.26
Total Endowment Fund Debt Securities	<u>237,430</u>	
<u>Other Investments:</u>		
Equity Investments	598,948	
Total Other Endowment Fund Investments	<u>598,948</u>	
Total Endowment Fund Investments Reported on the Financial Statements	<u>\$836,378</u>	

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2005

(dollars in thousands)

	Domestic Securities		International Securities		
		Effective		Effective	Total
Investment Type	Fair Value	Duration	Fair Value	Duration	Fair
		in Years		in Years	Value
<u>Debt Securities:</u>					
Asset-Backed Securities	\$17,307	1.83			\$17,307
Asset-Backed Securities	391	*			391
Commercial Paper	49,125	0.12	\$13,819	0.03	62,944
Commercial Paper	219,583	*	21,822	*	241,405
Corporate Bonds	390,512	4.62	63,697	3.35	454,209
Corporate Bonds	909	*	100	*	1,009
Fixed Income Derivatives	(533)	*			(533)
Government Agencies	123,506	3.30			123,506
Government Bonds	408,906	5.43	13,386	4.74	422,292
Government Mortgage-Backed Securities	446,128	2.31			446,128
Pooled Investments	169,607	*			169,607
Preferred Stock	2,503	2.22			2,503
Preferred Stock	8,165	*			8,165
Private Placements	24,245	3.63			24,245
Private Placements	1,110	*			1,110
Repurchase Agreements	62,108	*			62,108
TIPS	701,714	7.73			701,714
Total PERSI Fixed Income Securities	<u>\$2,625,286</u>		<u>\$112,824</u>		<u>2,738,110</u>
<u>Other Investments:</u>					
Domestic Equities					3,643,594
International Equities					1,834,994
Short-Term Investments					14,005
Real Estate					79,337
Private Equity					211,349
Mutual Funds (PERSI Choice Plan)					176,852
Co-Mingled Equity Fund (Sick Leave Insurance Reserve Fund)					109,282
Total PERSI Other Investments					<u>6,069,413</u>
<u>Reconciling Items:</u>					
401(k) Total Return Fund Adjustment					(44,033)
Preferred Convertible Stock					(15,064)
Short Sale Liability					57,485
Idaho Commercial Mortgages					259,948
Other					702
Total Reconciling Items					<u>259,038</u>
Total PERSI Investments Reported on the Financial Statements					\$9,066,561

*Duration calculations for some securities are not readily available due to the nature of those securities. Examples include securities that are not publicly traded or that are thinly traded, securities with a short maturity, and those that have expired.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Component Units Maturity of Debt Investments at June 30, 2005

(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	Total Fair Value
<u>Debt Securities</u>						
Money Market Funds	\$165,511	\$200				\$165,711
U.S. Government Obligations	4,331	26,556	\$1,606	\$32,664	\$16	65,173
U.S. Government Agency Obligations	7,475	39,639	19,765	70,424		137,303
Corporate Obligations	6,008	24,984	6,747	12,743	1,036	51,518
Municipal and Public						
University Obligations	50	194				244
Bond Mutual Funds	67	16,358	9,182	2,010		27,617
Total Debt Securities	<u>\$183,442</u>	<u>\$107,931</u>	<u>\$37,300</u>	<u>\$117,841</u>	<u>\$1,052</u>	447,566
<u>Other Investments</u>						
Investments Held in Trusts						3,650
Preferred Stock						25,931
Equity Mutual Funds						52,964
Domestic Equities						104,303
Foreign Equities						266
Investment Agreement						113,229
Insurance Annuity						319
Less Cash Equivalents Included With Investments for Note Disclosure Purposes						(154)
Total Component Unit Investments Reported on Financial Statements						<u>\$748,074</u>

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a NRSRO. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented below use the Moody's scale. Although the STO does not have a formal policy to address credit risk of debt securities, all investment managers are governed by the *Uniformed Prudent Investor Act* as detailed in *Idaho Code*, Sections 68-501 through 68-514. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The Building Authority investments are restricted by terms of individual revenue bonds. All Building Authority holdings are in accordance with those restrictions.
- The State Board of Education policy allows colleges and universities to invest in debt securities with an Aa or better rating and commercial paper of prime

or equivalent grade. Investments in any other form require prior Board of Education approval.

- In accordance with the *Idaho Code*, Section 1-2008, the EFIB formulates the investment policy for the Judges' Retirement fund. The Judges' Retirement fund policy allows fixed income securities with a minimum Baa rating by Moody's (or equivalent rating by other NRSRO), Yankee bonds, commercial paper, equity-linked debt with a minimum A rating, pass-through mortgage-backed securities with a minimum Aaa rating or equivalent, and collateralized mortgage obligations.
- The EFIB investment policy states that bonds must be rated Baa (or the equivalent) or better, commercial paper must be rated A-1 (or the equivalent) or better, and money market funds shall contain securities with an absolute minimum of investment grade by Standards and Poor's or Moody's.
- PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.

- Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association.

Program account investments are restricted to those empowered by the Act or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing Investment Trust and the Bond Rating Compliance and Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.

- The Idaho State University Foundation policy requires all bonds purchased to have an A rating or better.

Primary Government Rated Debt Investments at June 30, 2005
(Except Endowment Funds and PERSI)
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	A1-P1	Unrated
Money Market Funds*	\$527,010	\$485,010					\$42,000
Repurchase Agreements	127,356	97,167	\$30,189				
Commercial Paper**	158,528	133,356	271	\$404		\$24,497	
U.S. Gov't Agency Obligations	881,525	881,524					1
Mortgage-Backed Securities	84,018	83,347					671
Commercial Mortgages	3,352	3,352					
Corporate Obligations	214,548	70,103	29,625	88,962	\$25,858		
Municipal and Public							
Entity Obligations	4,263	63					4,200
Mutual Funds and Other Pooled							
Fixed-Income Securities	24,671		745				23,926
External Investment Pool	209,448						209,448
Totals Before Securities Lending	2,234,719	1,753,922	60,830	89,366	25,858	24,497	280,246
Reinvestment of Securities Lending Collateral:							
U.S. Government Agencies	66,198	66,198					
Repurchase Agreements	731,038			370,911			360,127
Mortgage-Backed Securities	29,615	29,615					
Money Market Funds	747	747					
Corporate Obligations	514,480	145,069	173,801	195,610			
Totals	\$3,576,797	\$1,995,551	\$234,631	\$655,887	\$25,858	\$24,497	\$640,373

*Includes \$505,644 of money market funds that are reported with cash and cash equivalents.

**Includes \$24,697 of commercial paper that is reported with cash and cash equivalents.

Endowment Funds
Credit Quality Rating at June 30, 2005
(dollars in thousands)

Investment Type	Fair Value	S & P Rating
Northern Lehman Aggregate Index Fund	\$211,391	AA
Northern U.S. TIPS Index Fund	26,039	AAA
Northern Money Market Fund*	2,939	A
Total	\$240,369	

*Reported with cash and cash equivalents.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

PERSI Rated Fixed Income Securities at June 30, 2005

(dollars in thousands)

Credit Quality Rating (S & P Rating Level)	Fair Value	Investment Type	
		Domestic Securities	International Securities
Agency (A-1+)	\$1,216	\$1,216	
AAA	642,410	616,512	\$25,898
AA	55,873	50,071	5,802
A	173,079	173,079	
BBB	113,624	108,743	4,881
BB	20,141	20,052	89
B	14,163	14,163	
CCC	10,013	10,013	
Not Rated	429,584	353,430	76,154
Totals	\$1,460,103	\$1,347,279	\$112,824

Component Units Rated Debt Securities at June 30, 2005

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Caa	Unrated
Money Market Funds*	\$165,711								\$165,711
U.S. Government									
Agency Obligations	130,231	\$129,519							712
Corporate Obligations	77,449	8,992	\$10,751	\$21,261	\$15,337	\$1,814		\$863	18,431
Municipal and Public									
University Obligations	244	244							
Bond Mutual Funds	27,617	10,794	14,054	1,149	1,228	7	\$3		382
Totals	\$401,252	\$149,549	\$24,805	\$22,410	\$16,565	\$1,821	\$3	\$863	\$185,236

*Includes \$153 of money market funds that are reported with cash and cash equivalents.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. GASB has adopted a principle that governments should provide note disclosure when 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

The College Savings Private Purpose Trust Fund has an investment agreement with TIAA-CREF valued at \$11.8 million which represents 17.1 percent of the Trust's total portfolio.

The University of Idaho Foundation policy exempts investments in U.S. government agency obligations from concentration risk.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Component Unit Concentration of Credit Risk at June 30, 2005

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
College and University Foundations:			
	Federal National Mortgage Association	\$8,975	9.56
	Federal Home Loan Bank	9,072	9.67
Idaho Housing and Finance Association:			
	Pallas Capital Corporation	27,319	6.25
	Trinity Plus Funding	47,453	10.85
	Federated Treasury Obligation Funds	127,513	29.15
	Federal National Mortgage Assoc.	25,283	5.78
Idaho Life and Health Insurance Guaranty:			
	Federal Home Loan Mortgage Corp.	4,167	52.64
	Federal National Mortgage Assoc.	1,821	23.00

Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The EFIB, PERSI, and Lewis-Clark State College Foundation have adopted policies related to the potential risk from changes in foreign currency exchange rates for investments denominated in a foreign currency as follows:

- The Judges' Retirement fund investment policy permits investing up to 20 percent of the fund's total investments in international equities. No foreign fixed income securities are permitted except currency.
- The EFIB Investment Policy Statement permits investing up to 20 percent of the EFIB total investments in international equities. No foreign

fixed income securities are permitted except currency.

- The PERSI investment policy provides individual manager guidelines at a minimum range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.
- The Lewis-Clark State College Foundation investment policy permits investments in foreign equities. The policy limits the investments in international equities to no more than 15 percent of the foundation's total investment portfolio.

Judges' Retirement Fund Foreign Currency Risk at June 30, 2005

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$214
British Pound Sterling	Equities	1,062
Canadian Dollar	Equities	119
Euro	Equities	1,538
Hong Kong Dollar	Equities	218
Japanese Yen	Equities	2,388
South African Rand	Equities	85
Swiss Francs	Equities	130
Total		\$5,754

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Endowment Funds Foreign Currency Risk at June 30, 2005

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Common Stock	\$6,214
British Pound Sterling	Common Stock	16,090
Canadian Dollar	Common Stock	2,186
Danish Krone	Common Stock	603
Euro	Common Stock	35,458
Hong Kong Dollar	Common Stock	2,260
Japanese Yen	Common Stock	26,692
Norwegian Krone	Common Stock	2,671
Singapore Dollar	Common Stock	837
South African Rand	Common Stock	698
South Korean Won	Common Stock	717
Swedish Krona	Common Stock	2,453
Swiss Franc	Common Stock	4,680
Total		\$101,559

PERSI Foreign Currency Risk at June 30, 2005

(stated at fair value of U.S. dollars in thousands)

Currency	Investment Type			Fair Value of Currency in US Dollars
	Short-Term Investments	Equities	Fixed Income	
Australian Dollar	\$126	\$50,042	\$1,072	\$51,240
Botswana Pula		1,451		1,451
Brazil Real	961	23,327		24,288
British Pound Sterling	(991)	310,704	(43,218)	266,495
Canadian Dollar	297	13,086	14,246	27,629
Czech Koruna	8			8
Danish Krone		14,478		14,478
Egyptian Pound	482	11,683		12,165
Euro	1,027	556,683	(5,614)	552,096
Hong Kong Dollar	186	61,467		61,653
Hungarian Forint	48	6,763		6,811
Indonesian Rupian	625	33,495		34,120
Israeli Shekel	485	8,602		9,087
Japanese Yen	5,443	338,694		344,137
Malaysian Ringgit	88	10,776		10,864
Mexican New Peso	5	15,836	21,484	37,325
New Taiwan Dollar	764	39,254		40,018
New Turkish Lira	264	21,635		21,899
New Zealand Dollar	76	4,172		4,248
Norwegian Krone	15	4,783		4,798
Philippines Peso	19	5,732		5,751
Polish Zloty			6,257	6,257
South African Rand	131	50,008		50,139
Singapore Dollar	648	23,759	6,084	30,491
South Korean Won	59	104,659		104,718
Swedish Krona	410	15,382		15,792
Swiss Franc	101	99,654		99,755
Thailand Baht	150	38,823		38,973
Zimbabwe Dollar		373		373
Totals	\$11,427	\$1,865,321	\$311	\$1,877,059

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

LCSC Foundation Foreign Currency Risk at June 30, 2005

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$18,636
British Pound Sterling	Equities	47,814
Canadian Dollar	Equities	12,604
Euro	Equities	50,145
Hong Kong Dollar	Equities	12,763
Indian Rupee	Equities	4,290
Japanese Yen	Equities	16,094
Mexican Peso	Equities	31,423
Norwegian Krone	Equities	11,730
Phillipine Peso	Equities	8,860
Sourth Korean Won	Equities	5,243
South African Rand	Equities	5,935
Swedish Krona	Equities	13,140
Swiss Franc	Equities	27,606
Total		\$266,283

Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

Mortgage-Backed Securities have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by EFIB and PERSI.

Treasury Inflation Protected Securities (TIPS) are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2005, PERSI had investments in TIPS with a fair value of \$701.7 million.

At June 30, 2005, the STO Idle Pool portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- Corporate obligations valued at \$20.1 million with a floating rate coupon that resets every quarter to the U.S. LIBOR (the rate that non-U.S. banks pay to borrow U.S. dollars) plus basis points
- One Federal Home Loan Bank obligation valued at \$10.2 million with a floating rate coupon that resets

every quarter to the 2-year constant maturity rate plus basis points

- U.S. Agency obligations valued at \$35.0 million with call options.

The Local Government Investment Pool and Diversified Bond Fund have debt investments with terms that may cause the fair value to be sensitive to interest rate changes. See Note 3, External Investment Pools, for details.

Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at the same price plus a contract rate of interest. These investments are made throughout the year for short periods and fixed terms. At June 30, 2005, PERSI had credit exposure of \$62.1 million that is included with short-term investments.

Securities Lending Agreements

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. *Idaho Code*, Section 67-1210A, authorizes the STO to engage in securities lending agreements. The

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

STO securities custodian manages the securities lending program. During the year, the custodian lent securities of the types shown in the table below for cash collateral. The investments are collateralized at 102 percent of the fair value of securities lent. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. There are no restrictions on the amount of loans that can be made. Either the State or the borrower

can cancel all securities lent upon demand. The cash collateral received is invested by the custodian and held in a separate account in the name of the STO. Cash is reinvested with terms equally matching the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the Idle Pool had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed.

Primary Government
Balances of Securities Lending Transactions at June 30, 2005
(dollars in thousands)

Securities Lent for Cash Collateral	Carrying Value of Lent Securities	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
U.S. Treasury Obligations	\$64,721	\$65,552	\$66,799
U.S. Government Agency Obligations	406,192	406,710	414,532
Mortgage Backed Securities	175,914	173,179	177,174
Corporate Debt Instruments	35,444	35,784	36,646
Totals	\$682,271	\$681,225	\$695,151

These amounts reflect the entire Idle Pool securities lending activity, which includes the Diversified Bond Fund that is disclosed in Note 3. The internal portion of these securities lending balances will be reported in the General Fund and the external portion of the Diversified Bond Fund is reported in the investment trust funds.

The EFIB engages in securities lending agreements that specify the borrower will pay a stated premium to the EFIB that is remitted monthly. The EFIB custodian, Northern Trust Company, lends U.S. government securities, U.S. agency obligations, and equities for collateral in the form of cash or other collateral with at least 102 percent of the lent securities' fair value. The securities lending agreement requires a daily monitoring of the market value of the securities loaned and collateral received with additional collateral obtained as necessary to meet margin requirements. The EFIB is indemnified should borrowers fail to return the securities and for fraudulent or negligent acts performed by Northern Trust Company. As such, credit risk exposure is limited under these transactions. As of June 30, 2005, the market value of the loaned securities was \$90.9 million.

Derivatives

Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Derivatives are designed, among other things, to help investors protect themselves against the risk of price changes.

Boise State University invests in interest-only U.S. Treasury strips to maximize yields. These investments are based on cash flows from interest payments on underlying U.S. Treasury Securities. The underlying securities are guaranteed by the U.S. government and do not present the same level of risk as do other forms of derivatives.

The Building Authority established a forward interest rate swap contract with Lehman Brothers Financial Products, Inc., on the 1998 Prison Project (1998 Series A Bonds). This forward interest rate contract can be terminated by the Authority at any time from origination on September 19, 2003, to the effective date of June 3, 2008. In addition, the contract can also be terminated after the effective date of June 3, 2008, to the expiration date of September 1, 2025. The Authority executed this forward interest rate contract to a specified proposed refunding provided that the savings ratio achieved is not less than 3 percent, regardless of whether or not the contract is terminated at or prior to its implementation date, no later than September 1, 2008. The Authority intends to terminate the forward interest rate contract any time before the termination date if the termination

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

payment to be received by the Authority equals or exceeds two times the present value savings for the bonds for which such contract was executed. If the forward interest rate contract is not earlier terminated, the Authority's intention is to terminate such contract by the implementation date in order to preserve the present value savings and to avoid unnecessary basis risk to the Authority. The contract is in a liability position of \$3.9 million at June 30, 2005. The position is determined by the difference between a fixed 4.3 percent and 67 percent of the LIBOR rate at the first of the month (3 percent at June 30, 2005). The swap agreement is characterized as a derivative and is carried on the Statement of Net Assets as Other Liabilities at fair value with changes in that value recognized in earnings of the current period. The impact on other liabilities as of June 30, 2005, was an aggregate amount of \$4.0 million.

The EFIB periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed-upon price. The EFIB use of these securities is limited to small positions in the EFIB international and domestic equity portfolios established primarily for hedging or risk reduction. At June 30, 2005, the domestic equity portfolio held 14 Standard and Poor 500 contracts with a fair value of \$4.2 million and 92 ten-year Treasury contracts with a fair value of \$10.4 million. The mark-to-market receivable as of that date was \$18,687 and was received on July 1, 2005.

The EFIB held forward currency contracts representing agreements to buy or sell European Union euro, British pound sterling, Norwegian krone, Swedish krona, U.S. dollar, Australian dollar, Swiss franc, Hong Kong dollar, and Japanese yen upon established future dates for agreed-upon prices. These forward currency contracts allow the EFIB to lock in future foreign exchange rates, thus reducing the risk stemming from currency fluctuations. At June 30, 2005, the fair values of the obligations under the purchase side of these forward contracts amounted to \$45.3 million and the fair values of the obligations under the sale side of the forward contracts amounted to \$45.0 million.

PERSI permits a few selected managers to use derivatives. In every case, the type of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis. At June 30, 2005, PERSI reported the following derivative and hedging activity:

- Futures contracts with a fair value of \$100,264 that are included in Fixed Income Investments—cash

equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed. PERSI had the following futures contract exposure:

- (a) Cash and cash equivalents (Euro) of \$147,128
- (b) U.S. Treasury futures of \$26,219

- Option contracts that give PERSI the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time—options strategies used by PERSI are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2005, PERSI had option contracts payable with a fair value of \$535,744 that is included in the liabilities as investments purchased. At June 30, 2005, PERSI had the following option contracts exposure:

- (a) Cash and cash equivalents, purchased call options of \$130,798
- (b) Cash and cash equivalents, purchased put options of \$13,663
- (c) Fixed income purchased call options of \$24,500
- (d) Fixed income purchased put options of \$1,794
- (e) Fixed income written call options of \$607,045
- (f) Fixed income written put options of \$99,453

- Swap agreements—PERSI held swap agreements with a fair value of \$90,941 that have been included in Fixed Income Investments.
- Forward foreign currency exchange contracts—PERSI has agreed to purchase or sell currency at various dates in the future at a specific price. PERSI has established controls to monitor the creditworthiness of the counterparties. As of June 30, 2005, PERSI had sold forward currency contracts with a fair value of \$809.0 million and had bought forward currency contracts with a fair value of \$809.1 million. Purchases of forward currency contracts are liabilities reported as investments purchased, and sales of forward currency contracts are receivables reported as investments sold.

The Idaho Housing and Finance Association established interest swap contracts with Lehman Brothers Financial Products, Inc., on several single-family mortgage bond issues. The Association also issued variable rate debt in connection with the same bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed rate debt obligation. The swap agreements are carried on the Statement of Net Assets in Other Accrued Liabilities at fair value, with

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

changes in the value recognized in earnings of the current period. The impact on Other Accrued Liabilities as of June 30, 2005, was an aggregate amount of \$33.1 million.

Donor-Restricted Investments

Idaho's permanent endowments include the Public School Endowment and the Pooled Endowment funds. Both funds have a nonexpendable permanent corpus and an earnings reserve account, which is used to receive earnings and to pay beneficiaries and expenses. The EFIB invests the revenues generated from the management and/or sale of endowment lands in accordance with *Idaho Code*, Title 57, Chapter 7, which also governs the spending of net appreciation from these investments. At June 30, 2005, net appreciation of restricted investments was \$36.6 million and \$17.9 million for Public School Endowment fund and Pooled Endowment fund, respectively. Net appreciation of investments is reported as part of restricted net assets.

Idaho Public Television (IPTV) holds investments with a fair value of \$4.9 million in the form of cash and cash equivalents, commercial paper, U.S. government obligations, U.S. agency obligations, corporate debt instruments, and mutual funds. Investments are held in the name of the Friends Foundation. The principal amount with a fair value of \$2.6 million is to remain intact for donor-restricted purposes. The IPTV Foundation Board advises the amount of net appreciation that IPTV may spend. IPTV determines the purpose of the expenditures. At June 30, 2005, there was no net appreciation available for expenditure.

Departments of Fish and Game, Health and Welfare, and Parks and Recreation have been past recipients of donor-restricted endowments that total \$4.4 million, which are presented as part of restricted net assets. The funds did not receive any new donations during fiscal year 2005. No net appreciation was available for expenditure at June 30, 2005.

NOTE 3. EXTERNAL INVESTMENT POOLS

A. Overview of the External Investment Pools

Idaho Code, Sections 67-2327 and 67-2328, authorize the State Treasurer's Office (STO) to sponsor external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit monies not immediately needed to meet operating obligations in these pools. The LGIP is a short-term investment fund, participants have overnight availability to their funds, and the weighted average maturity of investments at June 30, 2005, was 414 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The LGIP provides participants with a net asset valuation factor that enables participants to convert their statement balances to fair value. STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (2.5 years or longer). Withdrawals of 10 percent or less of the total fund generally require five working days' notification. Withdrawals of more than 10 percent of the total fund require 25 working days' notification.

STO must operate and invest the funds of both pools for the benefit of the participants. STO makes investments

in accordance with *Idaho Code*, Sections 67-1210 and 67-1210A. The pools are not registered with the Securities and Exchange Commission or any other regulatory body and are not rated. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and DBF are reported as fiduciary-type investment trust funds. The pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that only the external portion of investment pool assets be reported in those funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2005. Investments are converted to fair value each month for financial reporting purposes. *Fair value* is the amount at which an investment could be

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

exchanged in a current transaction between willing parties, other than a forced liquidation sale. The State uses the aggregate method to determine the increase/decrease in fair value of each individual pool.

The LGIP and DBF engage in securities lending transactions. A securities custodian manages the securities lending program. During the year, the custodian lent U.S. Treasury obligations, U.S. government agency obligations, corporate debt instruments, and mortgage-backed securities for cash collateral. The cash collateral can be pledged without borrower default. The investments are collateralized at 102 percent of the market and restated to fair value on a daily basis. There are no restrictions on the amount of loans that can be made. Either the State or the borrower can cancel all securities lending agreements upon demand. The cash collateral received is invested by the custodian and held in a separate account in the name of the STO. Cash is only reinvested in instruments with terms equally matching the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. At year-end there was no custodial credit risk because the securities were held by the State's agent and not by the counterparty.

Statement No. 40 of the Governmental Accounting Standards Board (GASB), *Deposit and Investment Risk Disclosures*, requires pools to disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

Credit risk associated with investments is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation. The risk is expressed in terms of the

credit quality rating issued by Moody's, a nationally recognized statistical rating organization. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The pools do not have a formally adopted policy to address credit risk associated with investments.

Concentration of credit risk results when investments are concentrated in one issuer and represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. GASB has adopted a principle that when governments invest discretely on behalf of their various funds, such as the LGIP or DBF, they should disclose the amount and percentage when 5 percent of the total fund investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount the pools may invest in any one issuer.

Interest rate risk occurs when investments are fixed for longer periods. Such investments are likely to experience greater variability in their fair values due to future changes in interest rates. Obligations explicitly guaranteed by the U.S. government are not considered to have interest rate risk. State statute places no limit on investment maturities.

Debt investments with terms that may cause the fair value to be highly sensitive to interest rate changes are likely to experience greater variability in their fair values due to the embedded terms. The Pools do not have a formally adopted policy to address terms that may cause the fair value of investments to be highly sensitive to interest rate risks.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

B. Local Government Investment Pool (LGIP)

**Local Government Investment Pool
Condensed Statement of Net Assets
June 30, 2005**

(amounts in thousands)

Assets	
Cash and Cash Equivalents	\$265,445
Investments, at Fair Value	844,726
Interest Receivable to the Pool	8,065
Securities Lending Collateral	666,546
Total Assets	1,784,782
Liabilities	
Obligations Under Securities Lending	666,546
Total Liabilities	666,546
Net Assets Held in Trust for Pool Participants	\$1,118,236
Net Assets Consist of:	
External Participant Units Outstanding (\$1.00 par)	\$1,086,554
Internal Participant Units Outstanding (\$1.00 par)	31,682
Net Assets Held in Trust for Pool Participants	\$1,118,236
Total Participant Units Outstanding (\$1.00 par)	1,121,309
Participant Net Asset Value, Offering Price, and Redemption Price Per Share (\$1,118,236 divided by 1,121,309 units)	\$1.00

**Local Government Investment Pool
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2005**

(dollars in thousands)

Investment Income	
Interest Income (at stated rate of interest)	\$36,798
Securities Lending Income (at stated rate of interest)	1,014
Net Increase (Decrease) in Fair Value of Investments	(132,585)
Total Investment Income	(94,773)
Expenses	
Administrative Fees	(\$224)
Securities Lending Fees	(304)
Total Investment Expenses	(528)
Net Investment Income (Net Decrease in Net Assets as a Result of Operations)	(95,301)
Distributions to Participants	
Distributions Paid and Payable	(26,472)
Share Transactions at Net Asset Value of \$1.00 per Share	
Pooled Participant Deposits	3,078,464
Pooled Participant Withdrawals	(3,261,837)
Net Increase (Decrease) in Net Assets and Shares Resulting From Share Transactions	(183,373)
Total Increase (Decrease) in Net Assets	(305,146)
Net Assets Held in Trust for Pool Participants	
Beginning of Period	1,423,382
End of Period	\$1,118,236

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Local Government Investment Pool

Summary of Fair Value and Interest Rate Risk at June 30, 2005

(dollars in thousands)

Investment Type	Carrying Value	Fair Value	Interest Rates	Investment Maturities	
				In Years Less than 1	1-5
Commercial Paper*	\$24,698	\$24,698	3.460%	\$24,698	
Repurchase Agreements	100,000	100,000	1.806% - 2.420%		
Corporate Debt Instruments	111,582	111,731	2.800% - 7.600%	62,074	\$49,657
U.S. Treasury Obligations	49,415	47,257	2.500% - 6.500%	17,571	29,686
Federal Farm Credit Bank**	52,208	50,435	2.200% - 6.600%	29,033	21,402
Federal Home Loan Bank**	193,166	190,782	1.875% - 5.375%	111,636	79,146
Federal Home Loan Mortgage Corp.**	170,370	168,017	2.125% - 5.500%	91,072	76,945
Federal National Mortgage Assoc.**	178,629	176,504	2.250% - 6.000%	90,525	85,979
Money Markets*	240,747	240,747			
Total Debt Securities	1,120,815	1,110,171			
Accrued Interest	8,065	8,065			
Securities Lending Collateral	666,546	666,546		666,546	
Total Investments	\$1,795,426	\$1,784,782		\$1,093,155	\$342,815

*Reported as Cash and Cash Equivalents.

**Mortgage-backed securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

Local Government Investment Pool

Change in Fair Value For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

Fair Value of Investments at June 30, 2005	\$1,118,236
Add: Proceeds of Investments Sold in FY2005	9,619,502
Subtract: Cost of Investments Purchased in FY2005	(9,446,765)
Subtract: Fair Value at June 30, 2004	(1,423,558)
Change in Fair Value of Investments During FY2005	(\$132,585)

Local Government Investment Pool

Concentration of Credit Risk at June 30, 2005

(dollars in thousands)

Issuer	Fair Value	Percent of Total LGIP Investments
Federal Home Loan Bank	\$190,782	10.69
Federal Home Loan Mortgage Corp.*	215,697	12.09
Federal National Mortgage Assoc.	176,504	9.89
Goldman Corp.*	99,388	5.56
Morgan Money Market*	109,999	6.16
American Beacon Money Market**	240,541	13.48

*Amounts include reinvestment of securities lending collateral.

**Reported as Cash and Cash Equivalents on the financial statements.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

**Local Government Investment Pool
Credit Quality Ratings of Debt Securities at June 30, 2005**
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa
Commercial Paper*	\$24,698				
Corporate Debt Instruments	111,731	\$26,620	\$12,986	\$46,721	\$25,404
Federal Farm Credit Bank	50,435	50,435			
Federal Home Loan Bank	190,782	190,782			
Federal Home Loan Mortgage Corp.	168,017	168,017			
Federal National Mortgage Assoc.	176,504	176,504			
Repurchase Agreements - Underlying:					
U.S. Government Agency Obligations	100,000	100,000			
Money Markets	240,747	240,747			
Reinvestment of Securities Lending Collateral:**					
U.S. Government Agency Obligations	47,681	47,681			
Corporate Debt Instruments	220,866	65,968	61,023	93,875	
Repurchase Agreements	381,726			381,726	
Mortgage-Backed Securities	15,020	15,020			
Total Rated Investments	\$1,728,207	\$1,081,774	\$74,009	\$522,322	\$25,404

*Top rating for commercial paper is A1-P1. All commercial paper is rated A1-P1.

**Not all collateral was reinvested at June 30. A portion remained on deposit with the securities lending custodian.

**Local Government Investment Pool
Balances of Securities Lending Transactions at June 30, 2005**
(dollars in thousands)

Securities Lent for Cash Collateral	Carrying Value of Lent Securities	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	\$26,788	\$14,831	\$15,155
U.S. Treasury Obligations	49,415	47,951	48,916
U.S. Government Agency Obligations	594,340	585,738	602,475
Totals	\$670,543	\$648,520	\$666,546

At June 30, 2005, the LGIP portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- One corporate obligation valued at \$24.7 million with a floating rate coupon based on the Consumer Price Index.
- Corporate obligations valued at \$40.7 million with a floating rate coupon that resets every quarter to the U.S. LIBOR (the rate that non-U.S. banks pay to borrow U.S. dollars) plus basis points.
- Corporate obligations valued at \$19.9 million with a floating rate coupon that resets every quarter to the 3-month U.S. Treasury Bill rate plus basis points and are capped at 4.5 percent or 4.8 percent.
- U.S. Agency obligations valued at \$628.5 million with call options.
- Federal Home Loan Bank obligations valued at \$24.8 million with call options and coupon increases of 10 or 50 basis points.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

C. Diversified Bond Fund (DBF)

**Diversified Bond Fund
Condensed Statement of Net Assets
June 30, 2005**

(amounts in thousands)

Assets

Cash and Cash Equivalents	\$15,431
Investments, at Fair Value	271,487
Interest Receivable to the Pool	1,945
Securities Lending Collateral	228,897

Total Assets	517,760
---------------------	----------------

Liabilities

Distributions Payable	1,005
Obligations Under Securities Lending	228,897

Total Liabilities	229,902
--------------------------	----------------

Net Assets Held in Trust for Pool Participants	\$287,858
---	------------------

Net Assets Consist of:

External Participant Units Outstanding (\$1.00 par)	\$68,029
Internal Participant Units Outstanding (\$1.00 par)	219,829

Net Assets Held in Trust for Pool Participants	\$287,858
---	------------------

Total Participant Units Outstanding (\$1.00 par)	290,946
---	---------

Participant Net Asset Value, Offering Price and Redemption

Price Per Share (\$287,858 divided by 290,946 units)	\$0.99
--	---------------

**Diversified Bond Fund
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2005**
(dollars in thousands)

Investment Income

Interest Income (at stated rate of interest)	\$11,693
Securities Lending Income (at stated rate of interest)	47
Net Increase (Decrease) in Fair Value of Investments	396

Total Investment Income	12,136
--------------------------------	--------

Expenses

Administrative Fees	(641)
---------------------	-------

Total Investment Expenses	(641)
----------------------------------	-------

Net Investment Income (Net Increase in Net Assets as a Result of Operations)	11,495
---	--------

Distributions to Participants

Distributions Paid and Payable	(12,013)
--------------------------------	----------

Share Transactions at Net Asset Value of \$1.00 per Share

Pooled Participant Deposits	\$91,577
Pooled Participant Withdrawals	(10,172)
Net Increase (Decrease) in Net Assets and Shares Resulting From Share Transactions	81,405
Total Increase (Decrease) in Net Assets	80,887

Net Assets Held in Trust for Pool Participants

Beginning of Period	206,971
---------------------	---------

End of Period	\$287,858
----------------------	------------------

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

Diversified Bond Fund
Summary of Fair Value at June 30, 2005
(dollars in thousands)

Investment Type	Carrying Value	Fair Value	Interest Rates
Corporate Debt Instruments	\$35,806	\$35,759	4.375% - 7.200%
U.S.Treasury Obligations	40,959	41,081	2.250% - 6.500%
Mortgage-Backed Securities	133,489	131,490	6.000% - 7.000%
Federal Home Loan Bank	37,184	37,034	2.830% - 5.830%
Federal Home Loan Mortgage Corp.	7,919	7,910	3.600% - 7.000%
Federal National Mortgage Assoc.	13,648	13,553	3.250% - 7.000%
Commercial Mortgages	4,565	4,660	6.341% - 6.590%
Money Market Account **	15,431	15,431	
Total Debt Securities	289,001	286,918	
Accrued Interest	1,945	1,945	
Securities Lending Collateral	228,897	228,897	
Total Investments	\$519,843	\$517,760	

**Reported as Cash and Cash Equivalents on the financial statements.

Diversified Bond Fund
Change in Fair Value For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

Fair Value of Investments at June 30, 2005	\$288,863
Add: Proceeds of Investments Sold in FY2005	230,356
Subtract: Cost of Investments Purchased in FY2005	(311,852)
Subtract: Fair Value at June 30, 2004	(206,971)
Change in Fair Value of Investments During FY2005	\$396

Diversified Bond Fund
Concentration of Credit Risk at June 30, 2005
(dollars in thousands)

Issuer	Fair Value	Percent Total DBF Investments
Cantor Fitzgerald Corp.*	\$28,128	5.43
Federal Home Loan Bank	37,034	7.15
Federal Home Loan Mortgage Corp.*	80,862	15.62
Federal National Mortgage Assoc.	73,726	14.24

*Amounts include reinvestment of securities lending collateral.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Diversified Bond Fund

Interest Rate Risk at June 30, 2005

(dollars in thousands)

	Fair Value	Investment Maturities In Years			
		Less than 1	1-5	6-10	11-15
Debt Securities					
Corporate Debt Instruments	\$35,759	\$2,050	\$13,761	\$14,856	\$5,092
U.S. Treasury Obligations	41,081		36,460	4,621	
Mortgage-Backed Securities*	131,490	6,832	109,213	15,445	
Federal Home Loan Bank	37,034	6,025	17,889	13,120	
Federal Home Loan Mortgage Corp.*	7,910		7,910		
Federal National Mortgage Assoc.*	13,553		13,553		
Commercial Mortgages*	4,660		1,489	3,171	
Money Market Account**	15,431	15,431			
Reinvestment of Securities Lending Collateral:***					
U.S. Government Agency Obligations	6,542	6,542			
Corporate Debt Instruments	98,741	98,741			
Mortgage-backed Securities	4,946	4,946			
Open-end Repurchase Agreements	118,582	118,582			
Total Debt Securities	\$515,729	\$259,149	\$200,275	\$51,213	\$5,092

* Mortgage-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

**Reported as Cash and Cash Equivalents on the financial statements.

***Not all collateral was reinvested at June 30. A portion remained on deposit with the securities lending custodian.

Diversified Bond Fund

Credit Quality Ratings of Debt Securities at June 30, 2005

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Unrated
Corporate Debt Instruments	\$35,759	\$7,775	\$16,188	\$11,796	
U.S. Treasury Obligations	41,081	41,081			
Mortgage-Backed Securities	131,490	131,490			
Federal Home Loan Bank	37,034	37,034			
Federal Home Loan Mortgage Corp.	7,910	7,910			
Federal National Mortgage Assoc.	13,553	13,553			
Commercial Mortgages	4,660	4,660			
Money Market Account*	15,431	15,431			
Reinvestment of Securities Lending Collateral:**					
U.S. Government Agency Obligations	6,542	6,542			
Corporate Debt Instruments	98,741	26,662	37,704	34,375	
Mortgage-backed Securities	4,946	4,946			
Open-end Repurchase Agreements	118,582				\$118,582
Total Rated Investments	\$515,729	\$297,084	\$53,892	\$46,171	\$118,582

*Reported as Cash and Cash Equivalents on the financial statements.

*Not all collateral was reinvested at June 30. A portion remained on deposit with the securities lending custodian.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Diversified Bond Fund

Balances of Securities Lending Transactions at June 30, 2005

(dollars in thousands)

<u>Securities Lent for Cash Collateral</u>	<u>Carrying Value of Lent Securities</u>	<u>Fair Value of Lent Securities</u>	<u>Cash Collateral Received for Lent Securities</u>
Corporate Debt Instruments	\$16,728	\$16,706	\$17,422
U.S. Treasury Obligations	40,959	41,081	42,386
Mortgage-Backed Securities	108,384	106,760	108,948
U.S. Government Agency Obligations	58,750	58,497	60,141
Totals	\$224,821	\$223,044	\$228,897

At June 30, 2005, the DBF portfolio included two Federal Home Loan Bank securities with fair values of \$16.9 million, which may be highly sensitive to interest rate changes. Both had floating interest rates, were callable quarterly, and the quarterly coupon rates were

based on the 3-month U.S. LIBOR (the rate non-U.S. banks pay to borrow U.S. dollars) plus basis points. One security, valued at \$10.0 million was called at par on September 15, 2005.

NOTE 4. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2005, consisted of the following receivables and payables (dollars in thousands):

		Interfund Payables						
		General Fund	Health and Welfare	Trans- portation	Nonmajor Special Revenue	Nonmajor Enterprise	Internal Service	Total
Interfund Receivables	General Fund			\$1	\$701		\$20	\$722
	Health and Welfare				4			4
	Transportation	\$1	\$3				29	33
	Endowment Funds	129						129
	Nonmajor Special Revenue	6	290	110	2,325		4	2,735
	College and University		226					226
	Nonmajor Enterprise	29	8	140	8	\$38	10	233
	Internal Service	98	24	8	106		6	242
Total		\$263	\$551	\$259	\$3,144	\$38	\$69	\$4,324

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another. Most balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, or 3) payments between funds are made.

The receivables not expected to be collected within one year include \$20,000 advanced by the General Fund to internal service funds, \$301,499 advanced by the General Fund to nonmajor special revenue funds, and \$2.2 million advanced by nonmajor special revenue funds to other nonmajor special revenue funds.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2005, were as follows (*dollars in thousands*):

	Transfers In					Total
	General Fund	Health and Welfare	Nonmajor Special Revenue	College and University	Loan	
General Fund		\$425,024	\$15,534	\$258,538	\$21,800	\$720,896
Health and Welfare			196			196
Transportation			15,409			15,409
Public School Endowment	\$22,958					22,958
Pooled Endowment	4,416			10,021		14,437
Nonmajor Special Revenue	69,365	3,885	415		2,300	75,965
Unemployment Compensation			4,145			4,145
Nonmajor Enterprise	31,445	1,850			7,200	40,495
Internal Service	235					235
Total	\$128,419	\$430,759	\$35,699	\$268,559	\$31,300	\$894,736

Interfund transfers are primarily performed for two reasons:

- 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law; and
- 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that is directed, by budgetary authorization, to spend them.

During fiscal year 2005 transfers were made to enable the Idaho Water Resource Board to purchase water rights from the Bell Rapids Mutual Irrigation Company. The transfers made were not routine in nature and were inconsistent with the activities of the fund making the transfer. The transfers were as follows:

- \$21.3 million from the General Fund to the Loan fund
- \$7.2 million from the Liquor Dispensary fund (nonmajor enterprise fund) to the Loan fund.

NOTE 5. NONCURRENT LOANS AND NOTES RECEIVABLE

Loans and notes receivable in the governmental funds consists of long-term receivables from the sale of capital assets, energy conservation, and the implementation of soil and conservation projects in the amount of \$6.8 million, of which \$6.5 million is not expected to be collected within one year. Business-type loans and notes receivable consist of long-term receivables for water project development, drinking water system improvements, wastewater facility enhancements, and student loans in the amount of \$139.2 million, of which

\$130.8 million is not expected to be collected within one year.

Loans and notes receivable for discretely presented component units amount to \$1,004.8 million, of which \$754.7 million is not expected to be collected within one year. These noncurrent receivables consist mainly of the sale of mortgages by the Idaho Housing and Finance Association in the amount of \$753.6 million. Noncurrent interfund receivables are discussed in Note 4.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows (*dollars in thousands*):

Primary Government	Balances at			Balances at
	July 1, 2004			June 30, 2005
Governmental Activities:	As Adjusted	Increases	Decreases	
Capital Assets not Being Depreciated:				
Land	\$881,904	\$19,243	(\$1,047)	\$900,100
Construction in Progress	625,147	269,144	(247,230)	647,061
Infrastructure	1,733,104	48,320	(1,547)	1,779,877
Historical Art and Collections	107	16		123
Total Capital Assets not Being Depreciated	3,240,262	336,723	(249,824)	3,327,161
Capital Assets Being Depreciated:				
Buildings and Improvements	452,703	106,436	(3,686)	555,453
Improvements Other Than Buildings	32,270	13,421	(4,428)	41,263
Machinery, Equipment, and Other	295,385	36,250	(30,059)	301,576
Infrastructure	455,718	39,554	(933)	494,339
Total Capital Assets Being Depreciated	1,236,076	195,661	(39,106)	1,392,631
Less Accumulated Depreciation for:				
Buildings and Improvements	(202,106)	(11,624)	1,278	(212,452)
Improvements Other Than Buildings	(9,022)	(1,709)	43	(10,688)
Machinery, Equipment, and Other	(175,574)	(26,123)	17,150	(184,547)
Infrastructure	(120,072)	(11,458)	366	(131,164)
Total Accumulated Depreciation	(506,774)	(50,914)	18,837	(538,851)
Total Capital Assets Being Depreciated, Net	729,302	144,747	(20,269)	853,780
Governmental Activities Capital Assets, Net	\$3,969,564	\$481,470	(\$270,093)	\$4,180,941

Beginning balances were adjusted for reclassification of historical art and collections to machinery, equipment, and other.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Business-Type Activities:	Balances at July 1, 2004	Increases	Decreases	Balances at June 30, 2005
Capital Assets not Being Depreciated:				
Land	\$36,267	\$5,062	(\$310)	\$41,019
Construction in Progress	74,647	34,492	(45,987)	63,152
Historical Art and Collections	2,180	57	(15)	2,222
Intangible Assets		22,573		22,573
Total Capital Assets not Being Depreciated	113,094	62,184	(46,312)	128,966
Capital Assets Being Depreciated:				
Buildings and Improvements	725,972	56,462	(573)	781,861
Improvements Other Than Buildings	42,615	645	(105)	43,155
Machinery, Equipment, and Other	278,833	21,523	(10,371)	289,985
Total Capital Assets Being Depreciated	1,047,420	78,630	(11,049)	1,115,001
Less Accumulated Depreciation for:				
Buildings and Improvements	(241,726)	(19,388)	439	(260,675)
Improvements Other Than Buildings	(18,578)	(1,714)	11	(20,281)
Machinery, Equipment, and Other	(188,562)	(24,501)	8,228	(204,835)
Total Accumulated Depreciation	(448,866)	(45,603)	8,678	(485,791)
Total Capital Assets Being Depreciated, Net	598,554	33,027	(2,371)	629,210
Business-Type Activities Capital Assets, Net	\$711,648	\$95,211	(\$48,683)	\$758,176

Depreciation expense was charged to functions of the primary government as follows (*dollars in thousands*):

Governmental Activities:	
General Government	\$6,584
Public Safety and Correction	6,424
Health and Human Services	1,979
Education	2,312
Economic Development	24,673
Natural Resources	7,759
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	1,183
Total Depreciation Expense for Governmental Activities	\$50,914
Business-Type Activities:	
College and University	\$44,619
Loan	137
Nonmajor Enterprise	847
Total Depreciation Expense for Business-Type Activities	\$45,603

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Discretely Presented Component Units	Balances at July 1, 2004 As Adjusted	Increases	Decreases	Balances at June 30, 2005
Capital Assets not Being Depreciated:				
Land	\$23,456	\$1,341	(\$3,265)	\$21,532
Total Capital Assets not Being Depreciated	23,456	1,341	(3,265)	21,532
Capital Assets Being Depreciated:				
Buildings and Other Improvements	22,918	217	(1,407)	21,728
Improvements Other than Buildings	250			250
Machinery, Equipment, and Other	3,244	174	(48)	3,370
Total Capital Assets Being Depreciated	26,412	391	(1,455)	25,348
Less Accumulated Depreciation for:				
Buildings and Other Improvements	(5,458)	(571)	610	(5,419)
Improvements Other than Buildings	(172)	(27)		(199)
Machinery, Equipment, and Other	(2,853)	(198)	47	(3,004)
Total Accumulated Depreciation	(8,483)	(796)	657	(8,622)
Total Capital Assets Being Depreciated, Net	17,929	(405)	(798)	16,726
Component Unit Activities Capital Assets, Net	\$41,385	\$936	(\$4,063)	\$38,258

Beginning balances were adjusted for the inclusion of the Idaho Housing and Finance Association.

NOTE 7. RETIREMENT PLANS

Summary of Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement Fund Base Plan (PERSI Base Plan), the Firemen's Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board, appointed by the Governor and confirmed by the State Senate, manages PERSI, which includes selecting the funding agents and establishing funding policy. The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the Judges' Retirement Fund (JRF). The Teachers' Insurance and Annuity Association-College Retirement Equities Fund administers an Optional Retirement Plan (ORP) for the colleges and universities. The Idaho Department of Commerce and Labor administers a closed retirement plan for certain employees of the Department hired prior to October 1, 1980.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Each of the PERSI administered plans, the JRF, the ORP, and the Labor Retirement are discussed individually below.

A. Public Employee Retirement Fund Base Plan

Plan Description

Organization and Purpose

The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. It is governed by *Idaho Code*, Sections 59-1301 through 59-1399.

Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for five or more consecutive months. As of June 30, 2005, the number of participating employer units was 684 and actual benefit recipients and members were as follows:

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Retirees, Beneficiaries, and Vested Terminated Employees	35,706
Current Active Employees	<u>64,391</u>
Total	<u>100,097</u>

Benefits

The benefit structure is based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year provided the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Summary of Significant Accounting Policies

The PERSI Base Plan's basic financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Employee and employer contributions are recognized as revenues in the period in which employee services are performed; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the Plan's terms. PERSI adheres to GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. Investments held by the PERSI Base Plan and the FRF are commingled. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of longer-term real estate investments has been estimated based on the PERSI's consultants and independent appraisals. Short-term investments are reported at market value when published

market prices and quotations are available or at cost plus accrued interest, which approximates market value.

Funding Policy

Contributions and Vesting

Funding policy for the PERSI Base Plan is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under *Idaho Code*, Section 59-1322, is 25 years. The payroll for employees covered was approximately \$2,176.0 million.

Employer contributions required and paid were \$68.2 million, \$69.3 million, and \$76.2 million, for the years ended June 30, 2003, 2004, and 2005, respectively.

Actuarial valuations are performed annually. The last valuation was performed as of July 1, 2005. Normal cost is 14 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.8 percent of covered payroll.

The contribution rates for the year ended June 30, 2005, were as follows:

Employee Group	Employer	Employee
PERSI		
General	10.4%	6.2%
Police and Fire	10.7%	7.7%
ORP		
Colleges and Universities	3.0%	N/A
Junior Colleges	3.8%	N/A

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment accumulated member contributions plus interest accrued at 17.5 percent January 1 through June 30, 2005; and 3.2 percent July 1 to December 31, 2004; compounded monthly per annum, are refundable. Withdrawal of such accumulated

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Funding

Contributions from members and employers, in addition to earnings from investments, fund PERSI Base Plan benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of PERSI's Retirement Board and set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

B. Firemen's Retirement Fund

Plan Description

The FRF is a cost-sharing, multiple-employer, defined benefit retirement plan. The FRF is governed by *Idaho Code*, Sections 72-1401 through 72-1472. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. As of June 30, 2005, there were 22 participating employer units, all consisting of local fire departments. The significant accounting policies are the same as detailed for the PERSI Base Plan. Complete FRF disclosures may be found in the PERSI financial statements.

C. Defined Contribution Retirement Plans

The defined contribution retirement plans include the 401(k) plan and the 414(k) plan. The plans are governed by *Idaho Code*, Sections 59-1301 through 59-1399. Participants direct their investment mix without restriction and may elect to change their salary deferral.

Plan Description

Organization and Purpose

The assets of the two plans are commingled for investment and recordkeeping purposes. The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

PERSI entered into a contract with Mellon Human Resources & Investor Solutions (MHR&IS) for services relating to eleven investment options that are mutual or collective funds and include the PERSI Total Return Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in 1 percent increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made.

Membership

The plans have 684 employer units eligible to have participating employees. As of June 30, 2005, the plans had 53,285 participating employees.

Benefits

On May 1, 2001, the 401(k) plan became open to voluntary employer matching contributions at rates determined by the employers. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation.

Summary of Significant Accounting Policies

The significant accounting policies are the same as the PERSI Base Plan.

Funding Policy

Contributions

Beginning in January 2002 employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Employers and participants in the plans contributed \$203 thousand and \$21.5 million, respectively, during the fiscal year ended June 30, 2005.

Funding

The administrative expenses of the plans, most of which are paid to MHR&IS, are funded by the PERSI Base Plan.

D. Judges' Retirement Fund

Plan Description

Organization and Purpose

The JRF is a single-employer defined benefit retirement plan, which provides retirement benefits for justices of

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

the Idaho Supreme Court, court of appeals judges, and district court judges, hereinafter referred to as “members.” The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by *Idaho Code*, Sections 68-501 through 68-506; and *Idaho Code*, Title 1, Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership

As of June 30, 2005, the JRF had 65 retired members or beneficiaries collecting benefits, 8 terminated members entitled to but not yet receiving benefits, and 48 active members.

Benefits

The benefit structure is based on member’s years of service and compensation. In addition, benefits are provided for disability or death and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon compensation of the highest office in which the member served, with benefits for option A accumulating as follows:

- For the first ten years of service, benefits are credited at 5 percent per year of member’s compensation.
- For the remaining years of service, benefits are credited at 2.5 percent per year of member’s compensation.

In addition to the above benefits, option B offers:

- Benefits accumulated at 2.5 percent per year for senior judges with five years of service.

The maximum benefit is 75 percent of compensation. Surviving spouses will be entitled to benefits equal to 50 percent of the member’s calculated benefit.

Summary of Significant Accounting Policies

The JRF’s financial statements are prepared using the accrual basis of accounting. Member and Department contributions are recognized as revenues in the period in

which the member’s services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF’s investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximates market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting

Members and the Judicial Department contribute to the JRF during the members’ first 20 years of employment. Member and Department contributions are a percentage of member compensation as defined by state law. JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$4.5 million for the fiscal year ended June 30, 2005. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

The funding status and required contribution levels are reviewed periodically by an actuary using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7.5 percent investment rate of return, projected salary increases of 3 percent, and postretirement benefit increases of 3 percent. Actuarial valuations of the JRF are generally performed biennially. Based on the most recent actuarial valuation as of June 30, 2005, the annual required contribution (ARC) was \$2.1 million. Net pension obligation increased from \$374,765 in 2004 to \$621,288 in 2005 due to the annual pension cost exceeding the employer’s contributions. Total Judicial Department and member contributions to the pension plan for the fiscal year ended June 30, 2005, amounted to \$2.1 million, of which \$1.5 million was received from filing fees and \$312,505 and \$267,861 from the Judicial Department and its members, respectively.

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

The State's annual pension cost and net pension obligation to JRF for the current year and two preceding years was as follows (*dollars in thousands*):

Idaho Judges' Retirement Fund Annual Pension Cost and Net Pension Obligation

	2003	2004	2005
Annual Required Contribution (ARC)	\$1,942	\$2,086	\$2,099
Interest on Net Pension Obligation (NPO)	1	9	28
Adjustment to ARC	(1)	(10)	(34)
Annual Pension Cost (APC)	1,942	2,085	2,093
Employer Contributions Made	(1,836)	(1,834)	(1,847)
Increase (Decrease) in NPO	106	251	246
Prior Year NPO	18	124	375
Current Year NPO	\$124	\$375	\$621
Percentage of APC Contributed	94.5%	88.0%	88.2%

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- attainment of age 65 and a minimum of 4 years of service
- attainment of age 60 and a minimum of 10 years of service
- attainment of age 55 and a minimum of 15 years of service, or
- after 20 years of service.

Funding

The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

E. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by *Idaho Code*, Sections 33-107A and 33-107B. Vendor options include

Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Membership

New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. Although enrollees in the ORP no longer belong to PERSI, the employer is required to contribute 3 percent of the annual covered payroll to PERSI through July 1, 2015 (3.8 percent through July 1, 2011, for Eastern Idaho Technical College). During the fiscal year ended June 30, 2005, the supplemental funding payment made to PERSI was \$5.2 million.

The contribution requirement and amount paid for the fiscal year ended June 30, 2005, was \$25.0 million, which consisted of \$13.1 million from the colleges and universities and \$11.9 million from employees. These contributions represented approximately 7.7 percent and 7 percent of covered payroll from the universities and employees, respectively.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

any portion thereof upon attaining 55 years of age (62 years of age for University of Idaho).

F. Department of Labor Retirement Plan

Plan Description

Organization and Purpose

This stand-alone, insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Commerce and Labor hired prior to October 1, 1980. The Plan is governed by *Idaho Code*, Section 72-1335, and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Commerce and Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership

There are 73 current participating employees of the Idaho Department of Commerce and Labor and 386 retired former employees or beneficiaries receiving benefits in the Labor Retirement Plan.

Benefits

The retirement benefit payments are calculated using a benefit formula established by the Plan. This monthly benefit is payable for life, through an annuity purchased by Prudential Investments, with 120 payments guaranteed. An annuity is purchased for each retired employee. Once an annuity is purchased, the State has no further liability. Prudential Investments has guaranteed to pay for benefits in the event of Prudential's

insolvency. At September 30, 2004 (the last actuarial valuation date), there was no unfunded liability. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

According to the latest periodic actuarial valuation on September 30, 2004, the present value of future retirement benefits was \$123.7 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6.5 percent for 2004. Net assets available for benefits (at fair value) were \$166.9 million.

Funding Policy

Contributions

Until August 1999 the employee contributed a portion (7 percent) of the normal cost contribution rate. The employee contribution was required by the Plan and was therefore made even though it was not actuarially needed to finance future benefits. In August 1999 the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2005, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2006. The total employer contribution for federal fiscal year 2004 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

NOTE 8. POSTEMPLOYMENT BENEFITS

The State funds or partially funds the following postemployment benefits relating to health, disability, and life insurance. *Idaho Code*, Sections 67-5760 and 67-5761, establishes the benefits and contribution obligations.

A. Postemployment Benefits Other Than Pensions

Retiree Health Insurance Subsidy

A retired officer or employee of a state agency, department, or institution, including state and elected officials, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) and whose unreduced PERSI monthly benefit at the time of retirement would meet or exceed the monthly cost of single retiree health insurance coverage, may elect to

have the State's retiree health insurance coverage for themselves and eligible dependents. To be eligible, state employees must enroll within sixty days of the date of their retirement and must have ten or more years (20,800 or more hours) of credited state service in a state-sponsored retirement system. If the date of enrollment is deferred beyond the original date of retirement, the employee's monthly retirement benefit amount must equal or exceed the single retiree premium at the time of the deferred enrollment.

The retiree coverage is different than that for active employees. The retiree pays the majority of the premium cost (unless they are participating in the sick leave fund described later). However, the retiree plan costs are subsidized by the active employee plan. In fiscal year 2005 the State contributed eight dollars per active non-

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

retired employee per month and the active employees contributed an equal amount, which went to a reserve to offset the monthly costs of the retirees' benefits. Other than an aging population, no significant matters affect comparability of the State's costs from one year to the next. The State's monthly contribution (towards the monthly premium) of \$146,000 was approximately 4.2 percent of the total annual state and employee contribution of \$3.5 million. The State's annual contribution towards the retiree premium cost was approximately \$1.8 million. A total of 3,156 retired employees were eligible to receive benefits as of June 30, 2005. The Legislature has not set aside any assets to pay future benefits. The benefits are pay-as-you-go.

Long-Term Disability

Long-term disability benefits are available for disabled employees, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or \$3,000 (whichever is smaller). The benefit does not increase with inflation and may be offset by other disability benefits from Social Security, Workers' Compensation, or PERSI. The State pays 100 percent of the cost of the program.

Beginning in fiscal year 2004 long-term disability benefits were insured by Principal Life Insurance Company. Claims prior to July 1, 2003, were self-funded. Both self-funded and fully-funded benefits use the one-year term cost method. Each fiscal year the State funds the estimated actuarial present value of benefits for disabilities incurred in that fiscal year. In addition, funding for disabilities incurred in prior fiscal years is adjusted periodically to reflect unanticipated changes in the number of claimants or benefit levels. Significant actuarial assumptions include an interest rate of 5.5 percent (based on the most recent actuarial report available) and a standard disability termination table.

Plan assets are valued at cost. As of June 30, 2004, net assets available for future payments were \$18.1 million. The actuarial accrued liability for disabilities incurred in fiscal year 2004 and all prior fiscal years was \$11.2 million (\$16.3 million on an undiscounted basis) and there was no unfunded actuarial accrued liability.

The State's actuarially required and actual contribution for the fiscal year ending June 30, 2004, was zero. As of June 30, 2004, there were 255 disabled employees receiving this benefit.

Payment of Life Insurance Premiums for Disabled Employees

The State pays 100 percent of the cost of basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. The benefit does not increase with inflation.

The State holds a reserve to self-fund the life claims for disabled employees in the event of contract termination with the Principal Life Insurance Company. This reserve is determined using the one-year term cost method, and it is funded periodically by the State. Significant actuarial assumptions include an interest rate of 5.5 percent and a standard waiver of premium life table.

Plan assets are valued at cost. As of June 30, 2004, the actuarial accrued liability was \$7.4 million (\$10 million on an undiscounted basis). The unfunded actuarial accrued liability was \$2.3 million. The net assets available for future payments was \$5.1 million.

An actuarially required contribution was not determined, and no contribution was made for the fiscal year ending June 30, 2004. At year-end there were 546 disabled employees receiving this benefit.

Payment of Health Insurance Premiums for Disabled Employees

For up to 30 months following the date of disability, the State pays 100 percent of the State's share of medical/dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for these benefits.

Each fiscal year, the State funds the estimated actuarial present value of benefits for disabilities incurred in that fiscal year. In addition, funding for disabilities incurred in prior fiscal years is adjusted periodically to reflect unanticipated changes in number of claimants or benefit levels. The reserves and funding amounts are determined in accordance with the one-year term cost

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

method. Significant actuarial assumptions include a standard disability termination table, a medical trend rate of 15 percent, and a discount rate of 4 percent.

Plan assets are valued at cost, and as of June 30, 2004, the net assets available for future payments were \$389,000. The actuarial accrued liability for disabilities incurred in fiscal year 2004 and all prior fiscal years was \$1.3 million as of June 30, 2004, and the unfunded actuarial accrued liability was \$1.6 million. The actuarial accrued liability was \$1.3 million on an undiscounted basis.

The State's actuarially required contribution for the period was \$5.35 per employee per month, and actual contributions for the period were \$1.12 per employee per month. As of June 30, 2004, there were 165 disabled employees receiving this benefit.

Long-term disability, payment of life insurance premiums for disabled employees, and payment of health insurance premiums for disabled employees are advance-funded with employer contributions on an actuarially determined basis using the one-year term cost method.

B. Postemployment Healthcare Benefits Administered by the Public Employee Retirement System of Idaho

Sick Leave Insurance Reserve Fund

School districts and state agencies provide for the payment of certain postretirement health insurance premiums. This postretirement benefit is a defined contribution plan that provides a benefit to retirees based

on unused accumulated sick leave at their retirement date.

The Public Employee Retirement System of Idaho (PERSI) acts as an administrator for this fund on behalf of the employers. The employers finance the program by remitting a percentage of payrolls to PERSI to cover future insurance premiums. Employers are responsible for any unfunded benefit obligations. The Sick Leave Insurance Reserve fund assets are valued at market value.

Idaho Code, Sections 67-5339, 33-1216, and 33-1228, governs this program which provides for the transfer of amounts from the fund for the payment of postretirement health benefits as may be maintained by the employer. The sick leave amount available for benefits is based on the following:

School District Retirees – one-half of their sick leave balance and rate of compensation at retirement.

State Retirees – one-half of their sick leave balance and rate of compensation at retirement, up to the maximum described below:

Credited Hours of State Service	Maximum Allowable Hours
0 – 10,400 (0-5 years)	420
10,401 – 20,800 (5-10 years)	480
20,801 - 31,200 (10-15 years)	540
31,201 + (15 years or more)	600

Actuarial information for postemployment healthcare benefits from the most recent valuation dated July 1, 2004, was as follows (*dollars in thousands*):

	General Employees/ Fire and Police	Teachers	Total
Active Participants	46,267	17,118	63,385
Contributions Required and Paid	\$8,909	\$8,665	\$17,574
Rate of Contribution	0.65%	1.15%	

The Fund is advance-funded with employer contributions on an actuarially determined basis using the entry age actuarial cost method. Postretirement health insurance

premiums are paid from the retiree's sick leave account until the account balance is exhausted.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 9. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance funds (internal service funds) and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the *Idaho Tort Claims Act* maximum of \$500,000 for each claim. Property damage claims are self-insured for up to \$250,000 per claim annually. Comprehensive collision and physical damage to covered vehicles are self-insured for replacement cost. The State purchases commercial insurance for claims not self-insured by the above coverages and for all other identified risks of loss, including workers' compensation insurance.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Long-term disability benefits within Group Insurance are partially insured through others but the majority is self-insured. The liability for self-insurance claims has been actuarially determined. Policy claim liabilities are presented in the Group Insurance fund and are composed of the liability for self-insured claims and the amounts required to fund premium payments of life and health coverage for disabled employees. Life, short-term disability, and health insurance programs are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 11.8 percent of the annual premiums for medical, 11.5 percent for dental, and 10 percent for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. The amount for which the State is responsible is accounted for and presented as restricted net assets in the Group Insurance fund. The State also maintains program and premium stabilization balances in the event restricted equity is

exhausted. These amounts are included in unrestricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. In fiscal year 2003 medical and dental claim settlements exceeded insurance coverage by \$8.6 million and \$0.2 million, respectively. In fiscal years 2004 and 2005 neither medical nor dental claim settlements exceeded insurance coverage.

The liabilities for the Risk Management and Group Insurance funds are based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement No. 30, *Risk Financing Omnibus*. These statements require that a liability for claims be reported if information prior to the issuance of the financial statements indicates the probability exists that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for Risk Management include claim adjustment costs and any anticipated subrogation receipts. At fiscal year-end \$19.7 million of unpaid claim liabilities for Risk Management are presented at present value, \$17.4 million, using a 4.5 percent discount interest rate. Unpaid claim liabilities of \$27.6 million for Group Insurance are presented at present value, \$19.9 million, using a 5.5 percent discount rate.

The State records its premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. Changes in policy claim liabilities for the fiscal years ending June 30, 2004 and 2005, were as follows (*dollars in thousands*):

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims Payments	Ending Balance
Risk Management	2004	\$16,633	(\$2,757)	(\$2,048)	\$11,828
	2005	11,828	7,619	(2,089)	17,358
Group Insurance*	2004	\$22,796	\$550	\$0	\$23,346
	2005	23,346	(3,441)	0	19,905

*Group Insurance amounts are based on the most recent actuarial study for fiscal year 2004 and estimates for fiscal year 2005.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 10. LEASES

A. State as Lessee

The State leases office buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, executory costs, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases are leases that do not qualify for capitalization; therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating leases contain various renewal options, as well as some purchase options. Operating lease payments are recorded as expenditures or expenses of the related funds

when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2005 were \$21.0 million for the primary government and \$47,310 for component units.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized.

Boise State University, reported as a major enterprise fund, leased a building from the Boise State University Foundation, a discretely presented component unit. The gross amount of this capital-leased building and improvements is \$6.0 million.

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 2005, were as follows (*dollars in thousands*):

Fiscal Year	Operating Leases			Capital Leases			
	Primary Government	Component Units	Total Operating Leases	Governmental Activities	Business-Type Activities With Third Parties	Business-Type Activities With Component Unit	Total Capital Leases
2006	\$19,836	\$48	\$19,884	\$1,154	\$497	\$424	\$2,075
2007	17,396	38	17,434	1,027	383	431	1,841
2008	13,963	38	14,001	1,024	334	426	1,784
2009	9,551	39	9,590	928	288	425	1,641
2010	7,367	39	7,406	931	288	423	1,642
2011 - 2015	14,810	55	14,865	4,430		2,148	6,578
2016 - 2020	4,937	83	5,020	3,276		837	4,113
2021 - 2025	5,176	113	5,289	2,932			2,932
2026 - 2030		113	113	980			980
2031 - 2035		45	45	199			199
Total Payments	\$93,036	\$611	\$93,647	16,881	1,790	5,114	23,785
Less Imputed Interest				7,591	340	1,457	9,388
Total Present Value of Minimum Lease Payments				\$9,290	\$1,450	\$3,657	\$14,397

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Assets under capital lease with third parties as of June 30, 2005, were as follows (*dollars in thousands*):

	Governmental Activities	Business-Type Activities	Capital Assets Under Capital Leases
Land	\$166		\$166
Buildings and Improvements	9,320	\$335	9,655
Improvements Other Than Buildings	609		609
Machinery, Equipment, and Other	1,529	3,293	4,822
Total Capital Leases	\$11,624	\$3,628	\$15,252

B. State as Lessor

Non-state parties rent land and buildings under operating leases from the Lava Hot Springs Foundation, and the Departments of Health and Welfare, Juvenile

Corrections, Lands, and Parks and Recreation. At June 30, 2005, the State leased the following (*dollars in thousands*):

Asset Class	Fair Market Value at Date of Acquisition	Accumulated Depreciation	Current Book Value
Land	\$2,233		\$2,233
Buildings and Improvements	1,355	(\$563)	792
Improvements Other Than Buildings	7	(7)	
Total	\$3,595	(\$570)	\$3,025

The Lava Hot Springs Foundation and Department of Lands participate in zero service leases. A zero service lease is an operating lease in which the lessee pays the State a market rent for use of the real property with no other services provided by the State. The lessee bears the responsibility for actual operating costs associated with the services necessary to operate the property, with

the exception of property damage and casualty insurance which the State maintains as part of the State's risk management program. The actual cost of operating the property does not affect the market rent under the lease. The market rent paid by the lessee is established by an independent appraisal.

The following is a schedule of minimum future rentals for operating leases as of June 30, 2005 (*dollars in thousands*):

Fiscal Year Ending June 30	Total
2006	\$7,111
2007	6,776
2008	6,339
2009	5,838
2010	5,440
2011 - 2015	8,769
2016 - 2020	2,658
2021 - 2025	2,556
Total Minimum Future Rentals	\$45,487

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease

contracts. Contingent rentals amounted to \$11,863 in fiscal year 2005.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

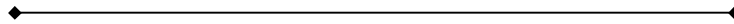
NOTE 11. SHORT-TERM DEBT

Idaho Code, Section 63-3201, authorizes the State Treasurer, on approval of the State Board of Examiners, to borrow money in anticipation of current year receipts. The State uses external tax anticipation notes (TAN) to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors regarding the timing of receipts, such as the collection of individual income taxes in April, large sales tax receipts in January as a

result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2005 the State anticipated that it would receive 44.2 percent of General Fund revenues in the first six months; however, disbursements during the same period were expected to account for 57.7 percent of total expenditures, mainly due to public school aid and Health and Welfare. The external TAN sold on the open market were issued on July 1, 2004, and redeemed on June 30, 2005.

TAN activity for the year ended June 30, 2005, was as follows (*dollars in thousands*):

	Beginning Balance	Issued	Redeemed	Ending Balance
External Tax Anticipation Notes	\$0	\$230,000	\$230,000	\$0



NOTE 12. BONDS/NOTES/OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees earn vacation based on hours worked and compensatory time based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued for all vacation pay and compensatory time when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability is based on the pay rate in effect at the balance sheet date. Idaho does not accumulate a liability for sick leave since the State has a policy to not pay any amounts when employees separate from service. Upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) is reported to the Public Employee Retirement System of Idaho to purchase health insurance for the retiree. The value of sick leave balances accumulated to pay retiree health insurance benefits are reported in a trust fund and are not included as part of the compensated absences liability on the government-wide statements. Also included in compensated absences is a \$147,000 liability for one-time special termination benefits associated with the University of Idaho's

Voluntary Separation and Retirement Opportunities Program. The State assumes a first-in, first-out flow for compensated absences balances. Presentation of compensated absences requires the use of certain estimates and calculations based on current year activity and historical data.

B. Revenue Bonds

Revenue bonds have been issued for governmental and business-type activities and component units.

The Idaho State Building Authority (nonmajor special revenue fund) issues notes and bonds to finance construction or acquisitions of facilities for lease to state agencies and community college districts subject to prior legislative approval. Idaho State Building Authority bonds are direct obligations of the Authority, payable from and secured by a pledge of lease revenues and other funds and reserves held under bond resolutions. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds. No amounts were outstanding at June 30, 2005, under these surety bonds.

The State's colleges and universities (major enterprise fund) issued a number of bonds for the primary purpose

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

of funding various construction projects. University bonds are secured by student fees and the sale of goods and services.

The Idaho Water Resource Board (Loan major enterprise fund) is authorized to issue and sell revenue bonds under provisions in *Idaho Code*, Sections 42-1739 through 42-1749. Bonds in the amount of \$5.0 million were issued in 1999 for the Dworshak Hydroelectric project and the revenues derived from this project are pledged in order to pay its costs of planning, financing, acquiring, constructing, operating, and maintaining the water project. These bonds are not considered general obligations of the State. The bonds are secured by an irrevocable direct pay letter of credit with the trustee bank. The letter of credit permits the trustee to draw an amount sufficient to pay the current principal payment of the bonds outstanding plus interest accrued to date at the time of the payment. The letter of credit that will expire on May 1, 2006, may be removed under certain conditions described in the bond indenture and may be renewed when it expires. The letter of credit is drawn upon every six months to pay the bondholders and then reimbursed by project revenues. An amount equal to 125

percent of the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline to the generation plant is out of service.

The Idaho Housing and Finance Association (discretely presented component unit) is authorized to issue and sell revenue bonds under provisions of *Idaho Code*, Sections 67-6201 through 67-6226. The Association issues bonds to finance various multifamily housing developments in Idaho. The bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The bonds are either special or general obligations of the Association and do not constitute a debt of the State of Idaho or any of its political subdivisions.

The State's College and University Foundation fund (discretely presented component unit) issued a number of bonds and notes for the purpose of funding various construction projects. Foundation bonds and notes are secured by various revenue sources, including donations, pledges, and other funds.

Revenue bonds outstanding at June 30, 2005, were as follows (*dollars in thousands*):

Bond Description	Interest Rate	Amount
Governmental Activities		
Nonmajor Special Revenue	2.00% to 5.98%	\$205,510
Business Type Activities		
College and University	2.00% to 6.50%	320,603
Loan	6.50% to 7.75%	4,785
Discretely Presented Component Units		
Idaho Housing and Finance Association	2.45%	1,232,200
College and University Foundation	2.30% to 5.35%	27,045
Total Revenue Bonds Payable		\$1,790,143

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities				Total	
	Nonmajor Special Revenue		College and University		Loan			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$8,755	\$9,052	\$10,725	\$15,529	\$100	\$357	\$19,580	\$24,938
2007	9,015	8,781	11,890	15,154	125	351	21,030	24,286
2008	8,655	8,505	12,255	14,634	150	342	21,060	23,481
2009	8,215	8,224	12,840	14,084	180	332	21,235	22,640
2010	7,210	7,944	13,450	13,506	210	320	20,870	21,770
2011-2015	31,980	35,748	68,555	58,005	1,665	1,316	102,200	95,069
2016-2020	38,380	27,920	75,638	39,636	2,355	484	116,373	68,040
2021-2025	44,060	17,374	61,070	21,611			105,130	38,985
2026-2030	13,415	10,269	29,360	10,772			42,775	21,041
2031-2035	10,830	7,657	13,590	4,780			24,420	12,437
2036-2040	13,905	4,580	9,105	2,100			23,010	6,680
2041-2045	11,090	940	2,125	115			13,215	1,055
Total	\$205,510	\$146,994	\$320,603	\$209,926	\$4,785	\$3,502	\$530,898	\$360,422

Fiscal Year Ending June 30	Discretely Presented Component Units					
	Idaho Housing and Finance Association		College and University Foundation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$136,105	\$54,609	\$1,620	\$717	\$137,725	\$55,326
2007	25,585	56,407	1,635	676	27,220	57,083
2008	31,555	55,099	1,640	635	33,195	55,734
2009	34,000	53,608	2,425	576	36,425	54,184
2010	34,630	51,997	1,660	531	36,290	52,528
2011-2015	184,940	232,745	8,550	1,957	193,490	234,702
2016-2020	196,270	182,709	8,125	735	204,395	183,444
2021-2025	212,775	127,293	1,390	32	214,165	127,325
2026-2030	206,260	69,084			206,260	69,084
2031-2035	153,030	19,529			153,030	19,529
2036-2040	16,445	1,080			16,445	1,080
2041-2045	605	37			605	37
Total	\$1,232,200	\$904,197	\$27,045	\$5,859	\$1,259,245	\$910,056

C. Advance Refundings

In fiscal year 2005 the University of Idaho (major enterprise fund) defeased several bonds by placing the proceeds of the 2005A general revenue bonds with additional funds into an escrow account sufficient to pay all future debt service payments on those defeased bonds. The cash flow savings equaled \$2.5 million and the economic gain equaled \$1.7 million. The outstanding debt payable by the escrow as of June 30, 2005, for the defeased bond issue was \$29.9 million, with a remaining liability of \$2.4 million.

In fiscal year 2005 Boise State University (major enterprise fund) issued 2005A general revenue and refunding bonds, thereby defeasing portions of several prior issues totaling \$12.0 million. The cash flow savings equaled \$0.4 million and the economic gain equaled \$0.4 million. Sufficient proceeds were invested by the trustee in government securities and placed in escrow. The outstanding debt payable by the escrow as of June 30, 2005, for the defeased bond issue is \$12.0 million, with a remaining liability of \$4.6 million.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

In prior years the Idaho State Building Authority (nonmajor special revenue fund) defeased several bonds by placing governmental securities into irrevocable trusts that are sufficient to provide for all future debt service payments on those bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance. The outstanding debt payable by the trust as of June 30, 2005, for each defeased bond issue follows (*dollars in thousands*):

Bond Issue	Amount Defeased	Remaining Liability
1978 Series A	\$15,284	\$2,795
1992 Series C	9,225	7,055

D. Notes Payable

The Department of Water Resources (Loan major enterprise fund), through the Board of Water Resources, purchased water rights. The water rights were owned by the Bell Rapids Mutual Irrigation Company, and the purchase was authorized by House Bill No. 392 (of the 2005 Legislative Session) to address statewide water

issues driven by drought, water supply, and basic demands of economic development. The obligation to pay for the water rights extends through fiscal year 2010.

The Potato Commission (nonmajor special revenue fund) purchased capital equipment through the issuance of a note payable. The obligation to pay for the equipment extends through fiscal year 2008.

The American Trucking Association Settlement Fund (transportation major special revenue fund) was established by the Idaho Legislature to fund payments related to a lawsuit by the American Trucking Association, et al. The State's original liability, \$10 million, was due to the Petroleum Clean Water Trust Fund (discretely presented component unit) and the remaining liability at June 30, 2005, is \$1.2 million. Monthly payments will be made until the balance is paid in full during fiscal year 2006. The inequality between the receivable and the payable arose because the Petroleum Clean Water Trust Fund reports using a fiscal year-end date of December 31.

Notes outstanding at June 30, 2005, were as follows (*dollars in thousands*):

Note Description	Interest Rates	Balance at June 30, 2005
Governmental Activities		
Transportation	3.76% to 4.62%	\$1,167
Nonmajor Special Revenue	3.90% to 4.10%	22
Business Type Activities		
Loan Fund	0.00%	6,565
College and University	1.00% to 5.01%	10,539
Discretely Presented Component Units		
College and University Foundation	1.00% to 3.98%	10,472
		\$28,765

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note debt service requirements to maturity are as follows (*dollars in thousands*):

Fiscal Year Ending June 30	Governmental Activities				Business-Type Activities				Total	
	Nonmajor Special				College and					
	Transportation		Revenue		Loan		University			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$1,167	\$11	\$8	\$1	\$1,313		\$1,909	\$367	\$4,397	\$379
2007			9		1,313		1,066	311	2,388	311
2008			5		1,313		1,907	254	3,225	254
2009					1,313		1,046	198	2,359	198
2010					1,313		1,082	162	2,395	162
2011 - 2015							2,971	379	2,971	379
2016 - 2020							558	21	558	21
Total	\$1,167	\$11	\$22	\$1	\$6,565	\$0	\$10,539	\$1,692	\$18,293	\$1,704

Fiscal Year Ending June 30	Discretely Presented Component Unit	
	College and University Foundation	
	Principal	Interest
2006	\$7,072	\$152
2007	3,400	40
2008		
2009		
2010		
2011 - 2015		
2016 - 2020		
Total	\$10,472	\$192

E. Claims and Judgments

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments as of June 30, 2005:

The Idaho Transportation Department (major special revenue fund) experiences contractor claims for reimbursement of additional/extraordinary expenses incurred for the performance of construction contract requirements. The State recorded a liability of \$2.1 million for contractor claims.

The Department of Environmental Quality (nonmajor special revenue fund) entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and the State to meet all costs of future site operational and maintenance costs.

The April 2004 amended remediation cost estimate was \$142.8 million. The State's share was \$14.7 million. The State matched \$10.4 million, leaving a liability of \$4.3 million. The work is estimated to be completed in calendar year 2007. The State anticipates 1,000 acres of unremediated land will be transferred to the State. The land's value has not been established but is estimated to be insignificant due to the poor access, topography, and unremediated condition of the land.

In August 2002 the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the liability is \$355.0 million. Idaho's estimated liability is \$31.4 million for remediation costs. Washington State will match the remainder of the liability. The present value of operational and maintenance cost is estimated at

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

\$41.0 million. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project.

The Petroleum Clean Water Trust Fund (discretely presented component unit) had policy claim liabilities of \$6.8 million for unpaid losses and loss adjustments. The Life and Health Insurance Guaranty Association (discretely presented component unit) had policy claim liabilities of \$0.1 million.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities for the fiscal year ended June 30, 2005, are summarized as follows (*dollars in thousands*):

Long-Term Liabilities	Balances at July 1, 2004 As Adjusted	Increases	Reductions	Balances at June 30, 2005	Amounts Due Within One Year
Governmental Activities:					
Revenue Bonds	\$214,010		(\$8,500)	\$205,510	\$8,755
Premiums/Discounts/Rebates	(2,979)	\$537	(1)	(2,443)	
Total Bonds Payable	211,031	537	(8,501)	203,067	8,755
Capital Leases	5,915	4,393	(1,018)	9,290	727
Compensated Absences	41,206	43,074	(41,206)	43,074	43,074
Policy Claim Liabilities	35,175	7,620	(5,532)	37,263	7,027
Claims and Judgments	44,129	2,140	(9,279)	36,990	2,989
Notes Payable		26	(4)	22	8
Notes Payable to Component Unit	3,167		(2,000)	1,167	1,167
Net Pension Obligation	375	246		621	
Total Governmental Activity	\$340,998	\$58,036	(\$67,540)	\$331,494	\$63,747
Business-Type Activities:					
Revenue Bonds	\$313,031	\$61,815	(\$49,458)	\$325,388	\$10,825
Premiums/Discounts/Rebates	5,107	1,227	(1,887)	4,447	
Total Bonds Payable	318,138	63,042	(51,345)	329,835	10,825
Capital Leases	2,041	32	(623)	1,450	382
Capital Leases to Component Unit	3,887		(230)	3,657	235
Compensated Absences	19,507	12,560	(15,253)	16,814	16,814
Notes Payable	11,841	7,088	(1,825)	17,104	3,223
Total Business-Type Activity	\$355,414	\$82,722	(\$69,276)	\$368,860	\$31,479
Discretely Presented Component Units:					
Revenue Bonds	\$1,393,581	\$180,000	(\$314,336)	\$1,259,245	\$137,725
Premiums/Discounts/Rebates	(7)			(7)	
Total Bonds Payable	1,393,574	180,000	(314,336)	1,259,238	137,725
Policy Claim Liabilities	7,681	1,207	(1,975)	6,913	2,437
Notes Payable	16,972		(6,500)	10,472	7,072
Total Component Unit Activity	\$1,418,227	\$181,207	(\$322,811)	\$1,276,623	\$147,234

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end

\$0.6 million of compensated absences, \$37.3 million of policy claim liabilities, and \$0.7 million of capital leases were included in the above amounts for internal service fund liabilities.

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past approximately 30.2 percent has been paid by the General Fund, 48.7 percent by special revenue funds, and the remainder by internal service funds and various other governmental funds. Primarily, the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the special revenue funds indicated within this note.

G. Conduit Debt

The Idaho Water Resource Board, a separate entity established by *Idaho Code* within the Department of Water Resources (Loan major enterprise fund), issued Water Resource Development Revenue Bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the property financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the

bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. As of June 30, 2005, seven series of Water Resource Bonds that qualified as conduit debt were outstanding with an aggregate principal amount payable of \$71.9 million.

The Idaho Housing and Finance Association (discretely presented component unit) issued bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. As of June 30, 2005, thirteen series of bonds that meet the description of conduit debt obligations were outstanding with an aggregate principal amount payable of \$39.1 million.

NOTE 13. FUND EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

During fiscal year 2005 additional information became available that required the restatement of the beginning fund balances or net assets for the following funds:

The Capitol Permanent Endowment was reclassified from a nonmajor special revenue fund to the Pooled Endowment fund. This resulted in a \$6.2 million decrease in the beginning fund balance in the nonmajor special revenue funds and an increase of \$6.2 million in the beginning fund balance of the Pooled Endowment fund.

The governmental activities beginning net assets and the nonmajor special revenue funds beginning fund balance were increased by \$3.1 million to correct the effect of understating revenue in prior years.

The Idaho Housing and Finance Association was included as a discretely presented

component unit for fiscal year 2005, which increased component unit beginning net assets by \$169.1 million.

B. Net Assets Restricted by Enabling Legislation

Net assets are reported as restricted when constraints are placed on net asset use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the state to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel the State to honor.

At June 30, 2005, the government-wide Statement of Net Assets reported \$1,291.1 million of restricted net

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

assets for governmental activities and \$619.4 million of restricted net assets for business-type activities. These amounts include \$281.1 million of net assets restricted

by enabling legislation for governmental activities and \$132.6 million of net assets restricted by enabling legislation for business-type activities.

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

At June 30, 2005, litigation and contingencies consisted of the following:

Primary Government

In *ISEEO, et al. v. Evans, et al.*, the plaintiffs allege that the current public school system does not provide a thorough education as required by the *Idaho Constitution*. Plaintiffs allege that approximately \$700 million to \$1 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed three times by the district court and appealed three times to the Idaho Supreme Court. The Supreme Court has remanded the case back to the district court, each time providing additional directions. Following the third remand, the district court determined that the funding system does not provide constitutionally adequate facilities in some circumstances and indicated the court would take some unspecified action if the Legislature does not address the court's concerns. The district court certified that decision for appeal to the Idaho Supreme Court. The State vigorously opposes the district court decision. If the plaintiffs are ultimately successful, the Legislature may address the judgment by raising additional state revenue, reallocating state revenue, or providing the districts the means to obtain additional revenue at the local level.

In November 1998 a Master Settlement Agreement was reached between the five largest tobacco manufacturers and 46 states. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of \$23.2 million during fiscal year 2005. The State Attorney General's Office anticipates that a number of tobacco manufacturers, in the spring of 2006, will commence litigation against Idaho with respect to such payments.

The State has a contingent liability for guarantee of qualified bond issuances. *Idaho Code*, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. *Idaho Code*, Section 67-8716, requires the State to guarantee the bonds of any municipality qualified by the State

Treasurer. If the State is required to make the bond payment of any school district or municipality, the State shall redirect distributions normally made to the school district or municipality to reimburse the State. As of June 30, 2005, the principal amount of qualified bonds outstanding to school districts was \$438.4 million and the interest amount outstanding was \$171.1 million; the principal amount of qualified bonds outstanding to municipalities was \$11.1 million and the interest amount outstanding was \$4.5 million.

The Public School Permanent Endowment fund incurred losses in fiscal years 2001, 2002, and 2003. *Idaho Code*, Section 57-724, requires these losses be made up from the earnings reserve funds or, if those funds are insufficient, through legislative appropriation. The losses must be made up within ten years and may be made up through market value increases. If market value increases are insufficient to recover all of the losses, the statute requires legislative appropriation to fund the remainder of the losses. At June 30, 2005, cumulative losses were \$26.5 million.

The University of Idaho and the University of Idaho Foundation (UIF) have filed separate claims with the Department of Administration's Risk Management Services against the State's insurance coverage with a private insurance carrier for public employee dishonesty and faithful performance. This is a first-party insurance claim, since both the University of Idaho and the UIF are named insureds under the policy. The policy limits are \$10.0 million for public employee dishonesty and a \$5.0 million sublimit for faithful performance. If an "occurrence" would fall within both coverage categories, the covered loss would be limited to \$10.0 million. "Occurrence" under the policy means all loss caused by or involving one or more employees, whether the loss results from a single act or series of acts.

The Idaho Transportation Department faces a potential liability of \$7.9 million for unpaid contractual claims. A probable cost of \$2.1 million has been recognized as a liability with a remaining contingent liability of \$5.8 million.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State in respect to the various proceedings. However, it is believed that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The opinion of the State is that these refunds, if any, will not have a significant effect on the financial position of the State.

Component Unit

The Idaho Life and Health Insurance Guaranty Association has not assessed or accrued for all potential shortfalls for several insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of future unrecorded shortfalls at this time is \$3.6 million for Executive Life. Assessments for the shortfalls will be made in future periods as amounts become due, if necessary.

B. Commitments

At June 30, 2005, commitments consisted of the following:

Primary Government

The Public Employee Retirement System has a total of \$336.1 million in outstanding commitments for investments to private equity partnerships and a private real estate joint venture.

The Idaho Transportation Department has a total of \$176.7 million in outstanding commitments for infrastructure and \$1.7 million for other capital asset related construction projects underway at year-end.

The colleges and universities estimate costs of \$101.8 million to complete a variety of capital asset related construction projects underway at year-end.

The Department of Administration has a total of \$98.6 million in outstanding commitments for capital asset related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. As of June 30, 2005, the Clean Water Loan fund had loan commitments of \$63.4 million that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. The Drinking Water Loan fund had \$22.3 million of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. DEQ also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling \$6.7 million.

The Department of Correction has a contract with Corrections Corporation of America to operate a 1,250 plus bed prison. The contract expires June 30, 2009. The estimated cost for fiscal year 2006 is \$19.0 million. The Department has a contract until July 12, 2008, with Correctional Medical Services, Inc., to provide medical services for inmates, for approximately \$17.5 million.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from \$90 to \$350 per day. The estimated cost for fiscal year 2006 is \$12.3 million.

The State Board of Education has contracts for a total of \$7.1 million with vendors that will provide test and assessment services and computerized instruction to K-12 students.

The Dairy Products Commission annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2005 advertising pool commitment will not exceed \$5.5 million.

The Department of Parks and Recreation is a party in a land sale contract with a promise to pay \$3.6 million to the Nature Conservancy. Currently the Idaho Department of Parks and Recreation (IDPR) has approximately \$1.3 million in equity. In the event payment is not made, IDPR and the Nature Conservancy will hold undivided ownership interest in the real property. IDPR has a total of \$10.0 million in outstanding commitments for capital asset related construction projects underway at year-end.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

The State Lottery contracted with GTECH, Inc., through February 18, 2007, to pay 2.99 percent of gross, weekly on-line ticket sales plus \$16,000 per week and \$75 per instant ticket vending machine placed in service per month for ongoing facilities management services and \$10,000 per week for license fees, \$96 per wireless system per month plus a \$250 installation fee per system.

The State Lottery paid \$3.6 million to GTECH, Inc., for the fiscal year ended June 30, 2005.

Component Unit

Idaho Housing and Finance Association has commitments to purchase \$1.1 million of single-family mortgages.

NOTE 15. SUBSEQUENT EVENTS

Subsequent to June 30, 2005, the following events occurred:

On August 1, 2005, the Idaho Housing and Finance Association (IHFA) issued Single-Family Mortgage Bonds 2005 Series D in the amount of \$30.0 million. Write-offs related to the IHFA July 1, 2005, bond redemptions were \$1.3 million.

On July 1, 2005, \$4.6 million was transferred from the General Fund to the Pooled Endowment fund, to make up earnings deficiencies in the Agricultural College and Charitable Institutions funds.

On December 21, 2005, the Idaho Supreme Court ruled in *ISEEO, et al. v. Evans, et al.*, that the current public school funding system does not provide constitutionally adequate facilities in some circumstances. The high court ruled that the State's method of paying for schools, which relies on local school bonds for building schools, is unconstitutional. The Idaho Supreme Court directed the Idaho Legislature to address the issue.

Required Supplementary Information



Photos courtesy of the Idaho Historical Museum.

Top: Chinese parade at the corner of Capitol and Main Streets in Boise.

Bottom: Idaho City man who grew and peddled his own vegetables.

Sources

Idaho Museum of Natural History <<http://imnh.isu.edu/digitalatlas/geog/imem/imemfr.htm>>. Accessed on 11/28/05.

Chinatown Online <http://www.chinatown-online.co.uk/pages/new_year/intro.html>. Accessed on 11/28/05.

Fran Hodgkins, *Idaho*, Mankato, Minnesota, Capstone Press, 2003, p.52.

Zachary Kent, *Idaho*, Chicago, Children's Press, 1990, p. 24.

Chinese-American Culture

Idaho's 1860s gold rush first brought Chinese to the State. As a result of their long braided hair, clothes, and foreign customs, they were treated poorly by white miners and were often forced to work in worn-out mines that other laborers would not touch.

By the 1870s the majority of Idaho's miners and nearly one-third of the territory's population were Chinese. The Chinese struggled, however, when in 1890 the Legislature banned Chinese from holding mining lands, and in 1897 they were restricted from mining activity altogether. Other means of employment included working on Idaho's railroads; in lumber yards; and running restaurants, businesses, and farms. It wasn't until after World War II that prejudices against Chinese Americans lessened because of their assistance in the war.

The Chinese were well known for their gardens, and the community that became today's Garden City was named after the Chinese men and women who lived and worked there. Chinese-American citizens continue to honor ancestral traditions such as Chinese New Year that is celebrated with firecrackers, roast-pig dinners, candy, whistles, and beautiful dragons and lanterns. The dates of all Chinese festivals are determined by the lunar/solar calendar; therefore, celebration of the Chinese New Year varies from late January to mid February.



Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$1,120,560	\$1,120,560	\$1,120,560	-
Individual and Corporate Taxes	1,403,807	1,403,807	1,403,807	-
Other Taxes	62,848	62,848	62,848	-
Licenses, Permits, and Fees	18,216	18,216	18,216	-
Sale of Goods and Services	47,805	47,805	47,805	-
Grants and Contributions	2,035	2,035	2,035	-
Investment Income	18,944	18,944	18,944	-
Tobacco Settlement	23,151	23,151	23,151	-
Other Income	30,385	30,385	30,385	-
Total Revenues	2,727,751	2,727,751	2,727,751	
EXPENDITURES				
General Government	646,937	647,054	573,340	\$73,714
Public Safety and Correction	191,105	195,844	192,512	3,332
Health and Human Services	22,216	22,216	22,042	174
Education	1,408,180	1,408,732	1,383,535	25,197
Economic Development	26,168	26,434	21,892	4,542
Natural Resources	28,152	28,192	27,215	977
Total Expenditures	\$2,322,758	\$2,328,472	2,220,536	\$107,936
Revenues Over (Under) Expenditures			507,215	
OTHER FINANCING SOURCES (USES)				
Capital Lease Acquisitions			26	
Sale of Capital Assets			373	
Transfers In			128,419	
Transfers Out			(720,896)	
Total Other Financing Sources (Uses)			(592,078)	
Revenues and Other Financing Sources Over (Under)			(84,863)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(193,676)	
Changes Affected by Accrued Expenditures			480,961	
Fund Balances - Beginning of Year			370,582	
Fund Balances - End of Year			\$573,004	

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$1,680	\$1,680	\$1,680	-	\$209,787	\$209,787	\$209,787	-
4,263	4,263	4,263	-	109,108	109,108	109,108	-
78,415	78,415	78,415	-	3,761	3,761	3,761	-
963,457	963,457	963,457	-	247,941	247,941	247,941	-
79	79	79	-	3,598	3,598	3,598	-
15,850	15,850	15,850	-	1,178	1,178	1,178	-
1,063,744	1,063,744	1,063,744		575,373	575,373	575,373	
1,435,696	1,522,335	1,489,079	\$33,256	705,036	709,738	573,995	\$135,743
\$1,435,696	\$1,522,335	1,489,079	\$33,256	\$705,036	\$709,738	573,995	\$135,743
		(425,335)				1,378	
		70				6,823	
		430,759					
		(196)				(15,409)	
		430,633				(8,586)	
		5,298				(7,208)	
		102,776				8,582	
		(93,442)				(5,205)	
		(12,085)				124,758	
		\$2,547				\$120,927	

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2005**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Process and Control

Budgets are adopted in accordance with *Idaho Code*, Sections 67-3501 through 67-3614. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is generally maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, enterprise funds, internal service funds, earnings of the permanent funds, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or if allowed, become law without the Governor's signature.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If it is anticipated expenditures may exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation.

Limitations exist regarding the extent to which management may modify an appropriation. At no time, without legislative authority, may an appropriation be transferred from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per *Idaho Code*, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are reserved for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles. The reconciliation at the bottom of the budget and actual schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual schedule reflects budgeted revenues as being equal to actual revenues.

The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720, or may be viewed online at www.sco.state.id.us. Look under "Accounting," and then "Financial Reports and Financial Information."

Required Supplementary Information For the Fiscal Year Ended June 30, 2005

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the government must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of eligible assets and summarize the results using a measurement scale,
- Annually estimate the cost to maintain and preserve the assets at the condition level established, and
- Document the condition level at which the assets are being actually preserved and maintained.

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,852 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State’s roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public’s perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public’s perception of road roughness. The RI ranges from 0.0 (extremely rough) to 5.0 (smooth).

A South Dakota-type profilometer is currently used by ITD to measure pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle that travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

Pavement Distress (Cracking) is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each PMS. Based upon this input, a cracking index (CI) is calculated for each section. The CI is a rating very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the CI or RI to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	≥ 2.5 (CI or RI) ≤ 3.0	≥ 2.0 (CI or RI) ≤ 3.0
Poor	≥ 2.0 (CI or RI) < 2.5	≥ 1.5 (CI or RI) < 2.0
Very Poor	(CI or RI) < 2.0	(CI or RI) < 1.5

Established Condition Level

The ITD has established the condition level that no more than 18 percent of pavement shall be in poor or very poor condition. In fiscal year 2004 the assessed level rose to 19 percent due to the following:

- Fewer pavement miles were restored than became substandard, and
- Fewer highway projects were started due to federal appropriation uncertainties.

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2005**

Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments Percent of Total Lane Miles per Pavement Condition										
	2004		2003		2002		2001		2000	
Good	7,154	60%	7,196	61%	7,267	61%	7,094	60%	6,833	58%
Fair	2,453	21%	2,691	23%	2,801	24%	2,610	22%	2,777	24%
Poor	1,735	15%	1,435	12%	1,170	10%	1,255	11%	1,176	10%
Very Poor	510	4%	497	4%	593	5%	820	7%	970	8%
Total Lane Miles	11,852	100%	11,819	100%	11,831	100%	11,779	100%	11,756	100%

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level presented above, and the actual amount spent during the past six fiscal years (*dollars in thousands*):

	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000
Estimated	\$69,200	\$67,156	\$65,200	\$63,922	\$62,000	\$61,544	\$60,313
Actual		79,310	81,058	78,133	57,260	68,278	69,268

Actual costs exceeded estimated costs in fiscal year 2005 by 18.1 percent. This variance was due to estimates being based on historical costs and the recent, unexpected increase in fuel cost.



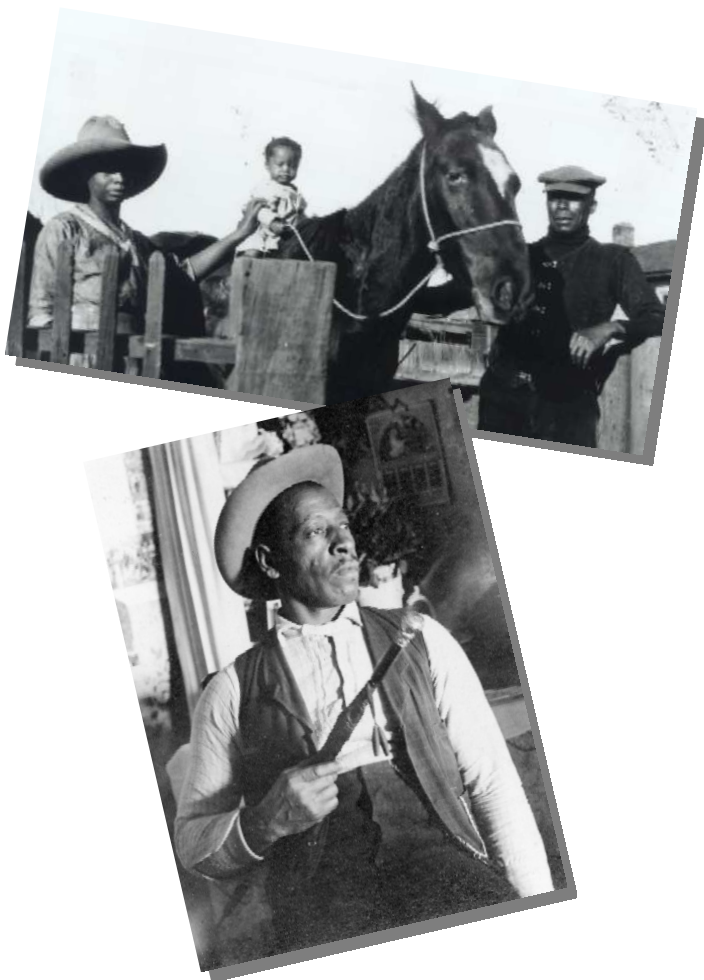
PENSION

Schedule of Funding Progress – Judges' Retirement Fund (*dollars in thousands*):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial	Actuarial	Accrued	Unfunded	Funded	Annual	UAAL as a
Valuation	Value	Liability	AAL	Ratios	Covered	Percentage
Date	of	(AAL)	(UAAL)	(1) : (2)	Payroll	of Covered
	Assets	Entry	(2) - (1)			Payroll
		Age				(3) : (5)
6/30/03	\$46,818	\$59,913	\$13,095	78.1%	\$4,613	284
6/30/04	51,006	59,453	8,447	85.8%	4,799	176
6/30/05	54,036	61,548	7,512	87.8%	4,799	157

Combining Financial Statements

African American Culture



Photos courtesy of the Idaho Historical Museum, and the Bonner County Historical Society.

Top: African-American family in Pocatello, Idaho.
Bottom: African-American saloon keeper in Hope, Idaho.

Sources

Idaho Black History Museum <<http://www.ibhm.org/history/history.htm>>. Accessed on 11/28/05.

Idaho Museum of Natural History <<http://imnh.isu.edu/digitalatlas/geog/imem/imemfr.htm>>. Accessed on 11/28/05.

Fran Hodgkins, *Idaho*, Mankato, Minnesota, Capstone Press, 2003, p.51.

African Americans were the second fastest growing group of people in Idaho from 1990 to 2000 with an increase from 3,370 to 5,456.

Possibly the first African American to come to Idaho was York, a servant on the Lewis and Clark expedition. After this African-American explorers, trappers, and miners arrived in Idaho as part of the U.S. westward expansion. In the late 1800s and early 1900s many African Americans worked as barbers, cooks, waiters, servants, farm and railroad laborers, miners, cowboys, and fire fighters. In 1910 the Twenty-Fifth Infantry, a company of African-American soldiers, fought Idaho's forest fires near Avery and Wallace. One reporter wrote, "Black fire fighters made the mountains echo with their songs."

Until the 1950s African Americans endured segregation at restaurants and many public places. Fortunately, following World War II African Americans experienced more equitable treatment, and Idaho had African-American teachers and college athletes. Idaho was one of the first states in the West to have an African-American mayor (Les Purce became mayor of Pocatello in 1975). Since 1995 Idahoans have had the opportunity to learn about African-American history, art, and culture through the founding of Idaho's Black History Museum. The museum is placed in Boise's former St. Paul Baptist Church building, located in Julia Davis Park. The church is one of the oldest buildings in Idaho built by African Americans.





NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues designated to finance specific functions of government. The following provides a brief description of the nonmajor special revenue funds.

The AGRICULTURE AND NATURAL RESOURCES FUND accounts for financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided from dedicated user fees, sale of services or goods, federal grants, and various other sources.

The REGULATORY FUND accounts for financial position and operations associated with various professional licensing and monitoring functions. The major source of funding is taxes and license fees.

The FISH AND GAME FUND accounts financial position and operations associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. Funding is provided from dedicated user fees and federal grants.

The FEDERAL FUND accounts for a portion of the financial position and operations associated with federal grants received by the State. Federal grants are also included in other funds of the State.

The MISCELLANEOUS FUND accounts for financial position and operations associated with general government services where the major source of funding is provided by fees, sale of services or goods, or other income restricted to expenditure for specific purposes.

The BUILDING AUTHORITY accounts for construction and financing of facilities, such as office buildings and parking garages to be used by the State. The Building Authority is a blended component unit.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005
(dollars in thousands)

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
ASSETS				
Cash with Treasurer	\$55,285	\$44,551	\$3,418	\$6,968
Cash and Cash Equivalents	4,322	1,129	298	804
Investments	3,378	411	4,865	14,151
Accounts Receivable, Net	2,210	192	105	
Taxes Receivable, Net	1,697			
Interfund Receivables	1,953	3		71
Due from Other Entities	2,772		5,695	24,695
Inventories and Prepaid Items	1,942	138	7,750	687
Loans and Notes Receivable, Net	6,001	63	389	
Other Assets	170	4	88	102
Restricted Assets:				
Cash and Cash Equivalents	10,234	409	5,624	1,978
Investments	575	1	6,576	
Total Assets	\$90,539	\$46,901	\$34,808	\$49,456
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$3,336	\$42	\$1,990	\$9,051
Payroll and Related Liabilities	2,906	1,484	2,585	4,474
Interfund Payables	324	58	28	2,723
Due to Other Entities	12			
Deferred Revenue	2,273	1,409		3,118
Amounts Held in Trust for Others	2,321	234	5	
Other Accrued Liabilities	834	522	1,446	184
Total Liabilities	12,006	3,749	6,054	19,550
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	5,155	213	3,031	6,964
Inventories and Prepaid Items	1,942	138	7,750	687
Noncurrent Receivables	7,951	63	389	
Other Purposes	9,242	410	11,300	
Unreserved, Reported in:				
Special Revenue Funds	54,243	42,328	6,284	22,255
Total Fund Balances	78,533	43,152	28,754	29,906
Total Liabilities and Fund Balances	\$90,539	\$46,901	\$34,808	\$49,456

	Building	
Miscellaneous	Authority	Total
\$59,209		\$169,431
1,428	\$2,195	10,176
11,177		33,982
4,527		7,034
1,174		2,871
708		2,735
83		33,245
734	34	11,285
		6,453
72	106	542
10,591	10,381	39,217
2,243	9,559	18,954
<u>\$91,946</u>	<u>\$22,275</u>	<u>\$335,925</u>

\$562	\$1,094	\$16,075
2,851		14,300
11		3,144
		12
3,839	4,947	15,586
4		2,564
152	3,987	7,125
<u>7,419</u>	<u>10,028</u>	<u>58,806</u>

	9,855	9,855
1,405		16,768
734	34	11,285
286		8,689
11,906		32,858
70,196	2,358	197,664
<u>84,527</u>	<u>12,247</u>	<u>277,119</u>
<u>\$91,946</u>	<u>\$22,275</u>	<u>\$335,925</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
REVENUES				
Sales Tax	\$4,800			
Other Taxes	25,727	\$77,464		
Licenses, Permits, and Fees	28,221	40,329	\$30,748	\$1,531
Sale of Goods and Services	5,290	1,063	101	53
Grants and Contributions	28,853	105	26,842	362,139
Investment Income	1,276	135	1,078	832
Other Income	2,197	781	4,237	120
Total Revenues	96,364	119,877	63,006	364,675
EXPENDITURES				
Current:				
General Government		1,804		26,356
Public Safety and Correction		2,757		8,935
Education				196,072
Economic Development	31,139	40,883	100	61,786
Natural Resources	59,867	1,248	60,789	9,123
Capital Outlay	5,721	1,299	9,636	5,203
Intergovernmental Revenue Sharing	9,323			48,797
Debt Service:				
Principal Retirement	50		166	
Interest and Other Charges	19		63	
Total Expenditures	106,119	47,991	70,754	356,272
Revenues Over (Under) Expenditures	(9,755)	71,886	(7,748)	8,403
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued	26			
Capital Lease Acquisitions			3,731	
Sale of Capital Assets	64	74	369	39
Transfers In	15,353			50
Transfers Out	(2,653)	(71,532)	(34)	(624)
Total Other Financing Sources (Uses)	12,790	(71,458)	4,066	(535)
Net Change in Fund Balances	3,035	428	(3,682)	7,868
Fund Balances - Beginning of Year, As Restated	75,498	42,724	32,436	22,038
Fund Balances - End of Year	\$78,533	\$43,152	\$28,754	\$29,906

Miscellaneous	Building Authority	Total
		\$4,800
\$24,668		127,859
11,466		112,295
24,801	\$11,737	43,045
11,783	50	429,772
4,981	(2,250)	6,052
10,448		17,783
88,147	9,537	741,606

4,576	384	33,120
35,142		46,834
13,199		209,271
40,044		173,952
1,839		132,866
3,636	42,734	68,229
9,163		67,283
12	8,500	8,728
142	9,356	9,580
107,753	60,974	749,863
(19,606)	(51,437)	(8,257)

		26
		3,731
215		761
20,296		35,699
(1,122)		(75,965)
19,389		(35,748)
(217)	(51,437)	(44,005)
84,744	63,684	321,124
\$84,527	\$12,247	\$277,119

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$4,800	\$4,800	\$4,800	-
Other Taxes	25,700	25,700	25,700	-
Licenses, Permits, and Fees	28,155	28,155	28,155	-
Sale of Goods and Services	5,352	5,352	5,352	-
Grants and Contributions	22,847	22,847	22,847	-
Investment Income	1,294	1,294	1,294	-
Other Income	2,170	2,170	2,170	-
Total Revenues	90,318	90,318	90,318	
EXPENDITURES				
General Government				
Public Safety and Correction	17	17		\$17
Education	47	47	9	38
Economic Development	35,916	35,954	31,717	4,237
Natural Resources	99,602	102,532	74,468	28,064
Total Expenditures	\$135,582	\$138,550	106,194	\$32,356
Revenues Over (Under) Expenditures			(15,876)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			26	
Capital Lease Acquisitions				
Sale of Capital Assets			64	
Transfers In			15,353	
Transfers Out			(2,653)	
Total Other Financing Sources (Uses)			12,790	
Revenues and Other Financing Sources Over (Under)			(3,086)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			6,046	
Changes Affected by Accrued Expenditures			75	
Fund Balances - Beginning of Year, As Restated			75,498	
Fund Balances - End of Year			\$78,533	

continued

Regulatory			
Original	Final	Actual	Variance
Budget	Budget	Amounts Budgetary Basis	with Final Budget

\$83,260	\$83,260	\$83,260	-
40,749	40,749	40,749	-
983	983	983	-
105	105	105	-
135	135	135	-
780	780	780	-
126,012	126,012	126,012	

1,822	1,822	1,822	-
3,110	3,110	2,864	\$246
46,510	46,629	43,496	3,133
1,131	1,365	1,248	117
\$52,573	\$52,926	49,430	\$3,496
		76,582	

74
(71,532)
(71,458)
5,124

(6,135)
1,439
42,724
\$43,152

Fish and Game			
Original	Final	Actual	Variance
Budget	Budget	Amounts Budgetary Basis	with Final Budget

\$30,748	\$30,748	\$30,748	-
101	101	101	-
27,810	27,810	27,810	-
850	850	850	-
3,640	3,640	3,640	-
63,149	63,149	63,149	

58	58		\$58
100	100	100	-
79,189	81,976	66,717	15,259
\$79,347	\$82,134	66,817	\$15,317
		(3,668)	

3,731
369
(34)
4,066
398

(143)
(3,937)
32,436
\$28,754

State of Idaho

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees	\$1,508	\$1,508	\$1,508	-
Sale of Goods and Services	139	139	139	-
Grants and Contributions	362,017	362,017	362,017	-
Investment Income	741	741	741	-
Other Income	117	117	117	-
Total Revenues	364,522	364,522	364,522	
EXPENDITURES				
General Government	57,855	74,928	47,618	\$27,310
Public Safety and Correction	19,348	20,383	16,394	3,989
Education	199,047	220,740	210,638	10,102
Economic Development	77,247	84,576	76,385	8,191
Natural Resources	16,190	23,384	16,713	6,671
Total Expenditures	\$369,687	\$424,011	367,748	\$56,263
Revenues Over (Under) Expenditures			(3,226)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			39	
Transfers In			50	
Transfers Out			(624)	
Total Other Financing Sources (Uses)			(535)	
Revenues and Other Financing Sources Over (Under)			(3,761)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			153	
Changes Affected by Accrued Expenditures			11,476	
Fund Balances - Beginning of Year, As Restated			22,038	
Fund Balances - End of Year			\$29,906	

continued

Miscellaneous			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$19,815	\$19,815	\$19,815	-
11,370	11,370	11,370	-
19,533	19,533	19,533	-
10,600	10,600	10,600	-
4,856	4,856	4,856	-
10,285	10,285	10,285	-
76,459	76,459	76,459	

5,576	5,752	5,281	\$471
47,255	48,597	42,460	6,137
10,676	28,308	14,414	13,894
47,603	47,940	44,958	2,982
3,533	3,571	1,908	1,663
\$114,643	\$134,168	109,021	\$25,147
		(32,562)	

215
20,296
(1,122)
19,389
(13,173)

11,688
1,268
84,744
\$84,527

Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$11,737	\$11,737	\$11,737	-
50	50	50	
(2,250)	(2,250)	(2,250)	-
9,537	9,537	9,537	

60,974	60,974	60,974	-
\$60,974	\$60,974	60,974	
		(51,437)	

(51,437)

63,684
\$12,247

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance
			Amounts Budgetary Basis	with Final Budget
REVENUES				
Sales Tax	\$4,800	\$4,800	\$4,800	-
Other Taxes	128,775	128,775	128,775	-
Licenses, Permits, and Fees	112,530	112,530	112,530	-
Sale of Goods and Services	37,845	37,845	37,845	-
Grants and Contributions	423,429	423,429	423,429	-
Investment Income	5,626	5,626	5,626	-
Other Income	16,992	16,992	16,992	-
Total Revenues	729,997	729,997	729,997	
EXPENDITURES				
General Government	126,227	143,476	115,695	\$27,781
Public Safety and Correction	69,730	72,107	61,718	10,389
Education	209,828	249,153	225,061	24,092
Economic Development	207,376	215,199	196,656	18,543
Natural Resources	199,645	212,828	161,054	51,774
Total Expenditures	\$812,806	\$892,763	760,184	\$132,579
Revenues Over (Under) Expenditures			(30,187)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			26	
Capital Lease Acquisitions			3,731	
Sale of Capital Assets			761	
Transfers In			35,699	
Transfers Out			(75,965)	
Total Other Financing Sources (Uses)			(35,748)	
Revenues and Other Financing Sources Over (Under)			(65,935)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			11,609	
Changes Affected by Accrued Expenditures			10,321	
Fund Balances - Beginning of Year, As Restated			321,124	
Fund Balances - End of Year			\$277,119	

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Permanent Funds**

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

continued

	Public School Endowment			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$39,420	\$39,420	\$39,420	-
Investment Income	50,671	50,671	50,671	-
Total Revenues	<u>90,091</u>	<u>90,091</u>	<u>90,091</u>	
EXPENDITURES				
Natural Resources	15,266	15,269	13,606	\$1,663
Total Expenditures	<u>\$15,266</u>	<u>\$15,269</u>	<u>13,606</u>	<u>\$1,663</u>
Revenues Over (Under) Expenditures			<u>76,485</u>	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			10	
Transfers Out			(22,958)	
Total Other Financing Sources (Uses)			<u>(22,948)</u>	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			<u>53,537</u>	
Reconciling Items				
Changes Affected by Accrued Expenditures			(966)	
Fund Balances - Beginning of Year, As Restated			<u>516,175</u>	
Fund Balances - End of Year			<u>\$568,746</u>	

State of Idaho

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Permanent Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	Pooled Endowment			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$18,074	\$18,074	\$18,074	-
Investment Income	24,512	24,512	24,512	-
Total Revenues	<u>42,586</u>	<u>42,586</u>	<u>42,586</u>	
EXPENDITURES				
Natural Resources	5,937	5,938	5,291	\$647
Total Expenditures	<u>\$5,937</u>	<u>\$5,938</u>	<u>5,291</u>	<u>\$647</u>
Revenues Over (Under) Expenditures			<u>37,295</u>	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets				
Transfers Out			(14,437)	
Total Other Financing Sources (Uses)			<u>(14,437)</u>	
Revenues and Other Financing Sources Over (Under)			22,858	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Expenditures			(304)	
Fund Balances - Beginning of Year, As Restated			<u>251,589</u>	
Fund Balances - End of Year			<u>\$274,143</u>	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$57,494	\$57,494	\$57,494	-
75,183	75,183	75,183	-
132,677	132,677	132,677	
21,203	21,207	18,897	\$2,310
\$21,203	\$21,207	18,897	\$2,310
		113,780	
		10	
		(37,395)	
		(37,385)	
		76,395	
		(1,270)	
		767,764	
		\$842,889	



NONMAJOR ENTERPRISE FUNDS account for the operation of state agencies that provide goods or services to the general public and finance their operations through user charges. The following provides a brief description of the nonmajor enterprise funds.

The STATE LOTTERY was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually the State Lottery's surplus net income is distributed evenly between state buildings and public schools.

The LIQUOR DISPENSARY'S purpose is to conduct, license, and regulate the sale of alcoholic beverages. Funding is provided through the sale of products. A portion of the surplus from the Fund is transferred to the State's General Fund and other funds as dictated by *Idaho Code*, Title 23. The balance, after the above authorized transfers, is then distributed 40 percent to counties and 60 percent to cities.

The CORRECTIONAL INDUSTRIES provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

State of Idaho

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2005

(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
ASSETS				
Current Assets				
Cash with Treasurer	\$26,548	\$6,055	\$2,079	\$34,682
Cash and Cash Equivalents	1,243			1,243
Accounts Receivable, Net	580	81	355	1,016
Interfund Receivables			233	233
Inventories and Prepaid Items	443	6,682	1,393	8,518
Other Current Assets	241			241
Total Current Assets	29,055	12,818	4,060	45,933
Noncurrent Assets				
Restricted Cash and Cash Equivalents	2,254			2,254
Capital Assets, Net	618	3,351	1,111	5,080
Total Noncurrent Assets	2,872	3,351	1,111	7,334
Total Assets	\$31,927	\$16,169	\$5,171	\$53,267
LIABILITIES				
Current Liabilities				
Accounts Payable	\$672	\$3,753	\$248	\$4,673
Payroll and Related Liabilities	152	486	123	761
Interfund Payables		38		38
Due to Other Entities		1,560		1,560
Unearned Revenue			19	19
Other Accrued Liabilities	3,447		191	3,638
Capital Leases Payable	51			51
Compensated Absences Payable	183	553	94	830
Total Current Liabilities	4,505	6,390	675	11,570
Total Liabilities	4,505	6,390	675	11,570
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	567	3,351	1,111	5,029
Restricted for:				
Other Purposes	26,000			26,000
Unrestricted	855	6,428	3,385	10,668
Total Net Assets	27,422	9,779	4,496	41,697
Total Liabilities and Net Assets	\$31,927	\$16,169	\$5,171	\$53,267

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees		\$2		\$2
Sale of Goods and Services	\$113,497	93,400	\$6,369	213,266
Other Income	46	10		56
Total Operating Revenues	113,543	93,412	6,369	213,324
OPERATING EXPENSES				
Personnel Costs	2,455	7,555	1,837	11,847
Services and Supplies	16,346	53,286	3,573	73,205
Benefits, Awards, and Premiums	69,593			69,593
Depreciation	550	138	159	847
Other Expenses	478	2,318	86	2,882
Total Operating Expenses	89,422	63,297	5,655	158,374
Operating Income (Loss)	24,121	30,115	714	54,950
NONOPERATING REVENUES (EXPENSES)				
Investment Income	70	253	57	380
Intergovernmental Distributions		(16,520)		(16,520)
Gain (Loss) on Sale of Capital Assets	(2)			(2)
Other Nonoperating Revenues (Expenses)		1		1
Total Nonoperating Revenues (Expenses)	68	(16,266)	57	(16,141)
Income (Loss) Before Transfers	24,189	13,849	771	38,809
Transfers Out	(25,000)	(15,495)		(40,495)
Change in Net Assets	(811)	(1,646)	771	(1,686)
Total Net Assets - Beginning of Year	28,233	11,425	3,725	43,383
Total Net Assets - End of Year	\$27,422	\$9,779	\$4,496	\$41,697

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$114,444	\$93,394	\$6,422	\$214,260
Receipts for Interfund Services		9		9
Payments to Suppliers	(16,946)	(52,821)	(4,149)	(73,916)
Payments to Employees	(2,469)	(7,433)	(1,719)	(11,621)
Payments for Interfund Services		(177)		(177)
Payments for Benefits, Awards, and Claims	(67,992)			(67,992)
Net Cash Provided (Used) by Operating Activities	27,037	32,972	554	60,563
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(16,590)		(16,590)
Transfers Out	(25,000)	(15,495)		(40,495)
Net Cash Provided (Used) by Noncapital Financing Activities	(25,000)	(32,085)		(57,085)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Lease Payments	(50)			(50)
Proceeds from Disposition of Capital Assets		1		1
Acquisition and Construction of Capital Assets	(101)	(115)	(369)	(585)
Net Cash Provided (Used) by Capital and Related Financing Activities	(151)	(114)	(369)	(634)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	70	253	57	380
Net Cash Provided (Used) by Investing Activities	70	253	57	380
Net Increase (Decrease) in Cash and Cash Equivalents	1,956	1,026	242	3,224
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer, as Restated	28,089	5,029	1,837	34,955
Ending Cash, Cash Equivalents, and Cash with Treasurer	\$30,045	\$6,055	\$2,079	\$38,179
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$24,121	\$30,115	\$714	\$54,950
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	550	138	159	847
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	900	(9)	56	947
Inventories and Prepaid Items	(180)	1,709	(502)	1,027
Other Current Assets	270			270
Accounts Payable/Interfund Payables	56	897	117	1,070
Unearned Revenue			(2)	(2)
Compensated Absences	(9)	48	11	50
Policy Claim Liabilities	1,601			1,601
Other Accrued Liabilities	(272)	74	1	(197)
Net Cash Provided (Used) by Operating Activities	\$27,037	\$32,972	\$554	\$60,563

Noncash Transactions (dollars in thousands): The State Lottery disposed of capital assets at a loss of \$2.

INTERNAL SERVICE FUNDS account for the operation of state agencies, which provide goods or services to other state agencies and other governmental units on a cost reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The GROUP INSURANCE FUND, enabled through *Idaho Code*, Section 67-5760, is administered by the Department of Administration. It provides health insurance to all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

The RISK MANAGEMENT FUND accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and private excess insurance.

The GENERAL SERVICES FUND accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The DATA PROCESSING SERVICES FUND accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

Combining Statement of Net Assets**Internal Service Funds****June 30, 2005***(dollars in thousands)*

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Cash with Treasurer	\$61,316	\$8,468	\$4,881	\$1,244	\$75,909
Cash and Cash Equivalents	1,146	639			1,785
Accounts Receivable, Net			325		325
Interfund Receivables		21	168	53	242
Inventories and Prepaid Items		1,749	1,936	522	4,207
Other Current Assets	144	81			225
Total Current Assets	62,606	10,958	7,310	1,819	82,693
Noncurrent Assets					
Investments	20,161	11,243			31,404
Capital Assets, Net	4	4	2,680	1,133	3,821
Total Noncurrent Assets	20,165	11,247	2,680	1,133	35,225
Total Assets	\$82,771	\$22,205	\$9,990	\$2,952	\$117,918
LIABILITIES					
Current Liabilities					
Accounts Payable			\$189		\$189
Payroll and Related Liabilities	\$11	\$26	449	\$216	702
Interfund Payables			48	21	69
Unearned Revenue	10,246		235	361	10,842
Capital Leases Payable			94	362	456
Compensated Absences Payable	12	16	401	210	639
Policy Claim Liabilities	3,135	3,892			7,027
Total Current Liabilities	13,404	3,934	1,416	1,170	19,924
Noncurrent Liabilities					
Capital Leases Payable			198		198
Policy Claim Liabilities	16,770	13,466			30,236
Total Noncurrent Liabilities	16,770	13,466	198		30,434
Total Liabilities	30,174	17,400	1,614	1,170	50,358
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	4	4	2,388	771	3,167
Restricted for:					
Claims and Judgments	42,389				42,389
Unrestricted	10,204	4,801	5,988	1,011	22,004
Total Net Assets	52,597	4,805	8,376	1,782	67,560
Total Liabilities and Net Assets	\$82,771	\$22,205	\$9,990	\$2,952	\$117,918

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**Internal Service Funds****For the Fiscal Year Ended June 30, 2005***(dollars in thousands)*

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Licenses, Permits, and Fees	\$48				\$48
Sale of Goods and Services	162,027	\$3,328	\$20,647	\$6,348	192,350
Grants and Contributions			42		42
Other Income		3	388	26	417
Total Operating Revenues	162,075	3,331	21,077	6,374	192,857
OPERATING EXPENSES					
Personnel Costs	236	396	7,381	3,498	11,511
Services and Supplies	174	2,493	10,543	2,059	15,269
Benefits, Awards, and Premiums	141,593	7,620			149,213
Depreciation	2	1	504	676	1,183
Other Expenses	78	194	1,921	98	2,291
Total Operating Expenses	142,083	10,704	20,349	6,331	179,467
Operating Income (Loss)	19,992	(7,373)	728	43	13,390
NONOPERATING REVENUES (EXPENSES)					
Investment Income	2,519	818	142	35	3,514
Interest Expense			(35)	(21)	(56)
Gain (Loss) on Sale of Capital Assets			(50)		(50)
Other Nonoperating Revenues (Expenses)			17	31	48
Total Nonoperating Revenues (Expenses)	2,519	818	74	45	3,456
Income (Loss) Before Transfers	22,511	(6,555)	802	88	16,846
Transfers Out			(235)		(235)
Change in Net Assets	22,511	(6,555)	567	88	16,611
Total Net Assets - Beginning of Year	30,086	11,360	7,809	1,694	50,949
Total Net Assets - End of Year	\$52,597	\$4,805	\$8,376	\$1,782	\$67,560

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2005
(dollars in thousands)

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$49	\$3
Receipts for Interfund Services	163,115	3,305
Receipts from Grants and Contributions		
Payments to Suppliers	(135)	(4,229)
Payments to Employees	(240)	(395)
Payments for Interfund Services	(119)	(208)
Payments for Benefits, Awards, and Claims	(145,034)	(2,089)
Other Receipts (Payments)		
Net Cash Provided (Used) by Operating Activities	17,636	(3,613)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers Out		
Interest Paid		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Lease Payments		
Proceeds from Disposition of Capital Assets		
Acquisition and Construction of Capital Assets	(2)	(4)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2)	(4)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	2,469	789
Purchase of Investments	(789)	(513)
Redemption of Investments		861
Net Cash Provided (Used) by Investing Activities	1,680	1,137
Net Increase (Decrease) in Cash and Cash Equivalents	19,314	(2,480)
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer	43,148	11,587
Ending Cash, Cash Equivalents, and Cash with Treasurer	\$62,462	\$9,107
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$19,992	(\$7,373)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables		(21)
Inventories and Prepaid Items		(1,750)
Other Current Assets		
Accounts Payable/Interfund Payables		(3)
Unearned Revenue	1,089	
Compensated Absences	(2)	2
Policy Claim Liabilities	(3,442)	5,530
Other Accrued Liabilities	(3)	2
Net Cash Provided (Used) by Operating Activities	\$17,636	(\$3,613)

Noncash Transactions (dollars in thousands): Investments increased in fair value by \$65 for Group Insurance and \$45 for Risk Management. Capital assets were acquired by capital lease in the amount of \$636 for Data Processing and were disposed at a loss of \$50 for General Services.

Data		
General Services	Processing Services	Total
\$4	\$376	\$432
20,834	6,191	193,445
33		33
(10,622)	(2,216)	(17,202)
(7,417)	(3,466)	(11,518)
(1,615)	(332)	(2,274)
		(147,123)
225		225
1,442	553	16,018
(235)		(235)
(10)	(46)	(56)
(245)	(46)	(291)
(641)		(641)
17	31	48
168	(1,032)	(870)
(456)	(1,001)	(1,463)
141	35	3,434
		(1,302)
		861
141	35	2,993
882	(459)	17,257
3,999	1,703	60,437
\$4,881	\$1,244	\$77,694
\$728	\$43	\$13,390
504	676	1,182
4	498	481
128		(1,622)
	(262)	(262)
84	(80)	1
92	(317)	864
(30)	29	(1)
		2,088
(68)	(34)	(103)
\$1,442	\$553	\$16,018



FIDUCIARY FUNDS report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

The PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans. The State's pension trust funds include the following:

The PERSI Base Plan is a qualified tax-deferred plan under the *Internal Revenue Code* and provides retirement, disability, and death benefits to members and beneficiaries. Benefits are funded by member and employer contributions and by earnings on investments.

The Firemen's Retirement Fund is a qualified tax-deferred plan under the *Internal Revenue Code* and provides retirement, disability, and death benefits to members and beneficiaries. Benefits are funded by member and employer contributions and by earnings on investments.

The Defined Contribution 401(k) Plan is a defined contribution retirement plan qualified under the *Internal Revenue Code*. The Plan consists of voluntary employee contributions, rollover contributions, and some employer matching contributions.

The Defined Contribution 414(k) Plan is a defined contribution retirement plan qualified under the *Internal Revenue Code*. The Plan represents the gain sharing allocation made to eligible PERSI members during fiscal year 2001 and earnings on investments.

The Sick Leave Insurance Reserve Plan is a defined contribution postemployment benefit plan. The Plan provides payment of retiree health insurance premiums on behalf of retired state and school employees based on accumulated unused sick leave at the time of retirement.

The Judges' Retirement Fund provides payment of the annual compensation of retired justices and judges and the allowances to surviving spouses.

INVESTMENT TRUST FUNDS report assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

The Local Government Investment Pool is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Local Government Investment Pool participants.

The Diversified Bond Fund is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Diversified Bond Fund participants.

AGENCY FUNDS report resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency funds:

Other Custodial accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

Payroll is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2005
(dollars in thousands)

	PERSI Base Plan	Firemen's Retirement	Defined Contribution 414(k)	Defined Contribution 401(k)
ASSETS				
Cash with Treasurer	\$2,629			
Cash and Cash Equivalents	905	\$98		\$38
Investments:				
Pooled Short Term	498,263	13,817		105
Fixed Income Investments	2,107,752	58,448		
Marketable Securities	5,330,767	147,821		
Mutual Funds and Private Equities	205,646	5,702	\$56,974	119,878
Mortgages and Real Estate	330,131	9,154		
Receivables:				
Investments Sold	797,094	22,017		
Contributions	4,987	29		266
Interest and Dividends	34,869	963	242	375
Interfund Receivables				
Other Receivables				
Other Assets	27,754			
Capital Assets, Net	3,517			
Total Assets	9,344,314	258,049	57,216	120,662
LIABILITIES				
Accounts Payable	63			
Interfund Payables	1,294			
Investments Purchased	1,109,104	30,635		
Other Accrued Liabilities	7,277	192		
Total Liabilities	1,117,738	30,827		
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	8,226,576	227,222	57,216	120,662
Postemployment Healthcare Benefits				
Total Net Assets	\$8,226,576	\$227,222	\$57,216	\$120,662

Sick Leave Insurance Reserve	Judges' Retirement	Total
\$75	\$817	\$3,521
		1,041
		512,185
72,821	14,942	2,253,963
109,282	38,047	5,625,917
		388,200
		339,285
		819,111
	48	5,330
	232	36,681
1,294		1,294
	128	128
		27,754
		3,517
183,472	54,214	10,017,927
	53	116
		1,294
		1,139,739
19		7,488
19	53	1,148,637
	54,161	8,685,837
183,453		183,453
\$183,453	\$54,161	\$8,869,290

Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

	PERSI Base Plan	Firemen's Retirement	Defined Contribution 414(k)	Defined Contribution 401(k)
ADDITIONS				
Contributions:				
Member	\$145,638	\$89		\$21,465
Employer	236,117	11,726		203
Transfers In from Other Plans				8,276
Total Contributions	381,755	11,815		29,944
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	579,046	15,994	\$5,586	5,196
Interest, Dividends, and Other	223,428	6,171	57	4,474
Less Investment Expense:				
Investment Activity Expense	(32,505)	(898)	(123)	(41)
Net Investment Income	769,969	21,267	5,520	9,629
Miscellaneous Income	149			
Total Additions	1,151,873	33,082	5,520	39,573
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	356,263	16,268	276	3,126
Transfers Out to Other Plans			2,188	1,270
Administrative Expense	7,116			
Total Deductions	363,379	16,268	2,464	4,396
Change in Net Assets Held in Trust for:				
Employee Pension Benefits	788,494	16,814	3,056	35,177
Employee Postemployment Healthcare Benefits				
Net Assets - Beginning of Year	7,438,082	210,408	54,160	85,485
Net Assets - End of Year	\$8,226,576	\$227,222	\$57,216	\$120,662

Sick Leave Insurance Reserve	Judges' Retirement	Total
	\$268	\$167,460
\$16,068	313	264,427
		8,276
16,068	581	440,163
13,216	3,061	622,099
	1,003	235,133
(126)	(188)	(33,881)
13,090	3,876	823,351
11	1,527	1,687
29,169	5,984	1,265,201
10,600	3,348	389,881
		3,458
54	58	7,228
10,654	3,406	400,567
	2,578	846,119
18,515		18,515
164,938	51,583	8,004,656
\$183,453	\$54,161	\$8,869,290

*State of Idaho***Combining Statement of Fiduciary Net Assets****Investment Trust Funds****June 30, 2005***(dollars in thousands)*

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Cash with Treasurer	\$257,924		\$257,924
Cash and Cash Equivalents		\$3,647	3,647
Investments:			
Pooled Short Term	97,167		97,167
Fixed Income Investments	154,483	18,160	172,643
Mortgages and Real Estate	569,143	46,003	615,146
Securities Lending Collateral	647,661	54,095	701,756
Receivables:			
Interest and Dividends	7,837	460	8,297
Total Assets	1,734,215	122,365	1,856,580
LIABILITIES			
Obligations Under Securities Lending	647,661	54,095	701,756
Other Accrued Liabilities		241	241
Total Liabilities	647,661	54,336	701,997
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	1,086,554	68,029	1,154,583
Total Net Assets	1,086,554	68,029	1,154,583

Combining Statement of Changes in Fiduciary Net Assets

Investment Trust Funds

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions:			
Participant Deposits	\$3,095,588	\$69,110	\$3,164,698
Total Contributions	3,095,588	69,110	3,164,698
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(133,322)	94	(133,228)
Interest, Dividends, and Other	37,003	1,759	38,762
Securities Lending Income	1,019		1,019
Less Investment Expense:			
Investment Activity Expense	(225)	(152)	(377)
Securities Lending Expense	(306)		(306)
Net Investment Income	(95,831)	1,701	(94,130)
Total Additions	2,999,757	70,811	3,070,568
DEDUCTIONS			
Earnings Distribution	26,619	1,800	28,419
Participant Withdrawals	3,279,981	982	3,280,963
Total Deductions	3,306,600	2,782	3,309,382
Change in Net Assets Held in Trust for:			
External Investment Pool Participants	(306,843)	68,029	(238,814)
Net Assets - Beginning of Year	1,393,397		1,393,397
Net Assets - End of Year	\$1,086,554	\$68,029	\$1,154,583

*State of Idaho***Combining Statement of Assets and Liabilities****Agency Funds****June 30, 2005***(dollars in thousands)*

	Custodial	Payroll	Total
ASSETS			
Cash with Treasurer	\$8,714		\$8,714
Cash and Cash Equivalents	6,281		6,281
Investments:			
Fixed Income Investments	167,323		167,323
Other Investments	6,827		6,827
Receivables:			
Interest and Dividends	9,149		9,149
Total Assets	\$198,294	\$0	\$198,294
LIABILITIES			
Due to Other Entities	\$1,471		\$1,471
Amounts Held in Trust for Others	194,855		194,855
Other Accrued Liabilities	1,968		1,968
Total Liabilities	\$198,294	\$0	\$198,294

Combining Statement of Changes in Assets and Liabilities**Agency Funds****For the Fiscal Year Ended June 30, 2005***(dollars in thousands)*

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
CUSTODIAL				
Assets				
Cash with Treasurer	\$12,566	\$376,578	\$380,430	\$8,714
Cash and Cash Equivalents	2,552	6,820	3,091	6,281
Fixed Income Investments	154,887	167,742	155,306	167,323
Other Investments	3,804	4,112	1,089	6,827
Interest and Dividends	8,930	17,913	17,694	9,149
Total Assets	\$182,739	\$573,165	\$557,610	\$198,294
Liabilities				
Due to Other Entities	\$1,128	\$11,568	\$11,225	\$1,471
Amounts Held in Trust for Others	180,112	258,818	244,075	194,855
Other Accrued Liabilities	1,499	39,228	38,759	1,968
Total Liabilities	\$182,739	\$309,614	\$294,059	\$198,294
PAYROLL				
Assets				
Cash with Treasurer		\$1,191,430	\$1,191,430	
Total Assets	\$0	\$1,191,430	\$1,191,430	\$0
Liabilities				
Payroll and Related Liabilities		\$1,521,030	\$1,521,030	
Total Liabilities	\$0	\$1,521,030	\$1,521,030	\$0
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash with Treasurer	\$12,566	\$1,568,008	\$1,571,860	\$8,714
Cash and Cash Equivalents	2,552	6,820	3,091	6,281
Fixed Income Investments	154,887	167,742	155,306	167,323
Other Investments	3,804	4,112	1,089	6,827
Interest and Dividends	8,930	17,913	17,694	9,149
Total Assets	\$182,739	\$1,764,595	\$1,749,040	\$198,294
Liabilities				
Payroll and Related Liabilities		\$1,521,030	\$1,521,030	
Due to Other Entities	\$1,128	11,568	11,225	\$1,471
Amounts Held in Trust for Others	180,112	258,818	244,075	194,855
Other Accrued Liabilities	1,499	39,228	38,759	1,968
Total Liabilities	\$182,739	\$1,830,644	\$1,815,089	\$198,294

European Culture



Photos courtesy of the Idaho Historical Museum.

Top: A logging crew likely located in North Idaho.
Bottom: Atlanta miners posing outside of a mine.

Sources

Idaho Museum of Natural History <<http://imnh.isu.edu/digitalatlas/geog/imem/imemfr.htm>>. Accessed on 11/28/05.

Amy Miller, *Idaho*, New York, NY, Children's Press, 2003, p. 55.

People of European descent comprise nine out of ten Idahoans. Many of these people can trace their ancestry to the early settlers who came to Idaho in the 1800s. Common lines of Idaho ancestry include English, Swedish, German, and Danish.

Hopes of a good life brought Europeans to Idaho to work in everything from fur trading, mining, logging, and farming, to business. Each European group brought with them different dress, culture, and beliefs.

Many Scandinavians (Danes, Norwegians, Swedes, and Finns) celebrated a holiday called May Day. They built bonfires, sang songs, gave speeches, and danced around a colorful May pole to celebrate the beginning of spring. Scandinavians also brought art and culture to Idaho with their music festivals, theatre, and dances.

The Germans are noted for contributing music to Idaho. It was not uncommon for each of their small communities to have a brass band. They also celebrated holidays like Oktoberfest and the Feast of St. Nicholas.

Many European immigrants maintained tightly knit communities when first moving to Idaho. These groups (such as the Germans, Finns, Welsh, and Swedes) built homes, churches, and towns where they felt comfortable and were able to celebrate the customs of their native lands.



Statistical Section

Index

Financial Trends – These schedules contain trend information to help the reader understand how the State's financial performance and well being have changed over time.

Schedule 1 – Net Assets by Component	134
Schedule 2 – Changes in Net Assets	135
Schedule 3 – Fund Balances—Governmental Funds.....	136
Schedule 4 – Changes in Fund Balances—Governmental Funds	138

Revenue Capacity Information – These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Schedule 5 – Revenue Base	140
Schedule 6 – Revenue Rates	142
Schedule 7 – Revenue Payers by Industry/Category	143

Debt Capacity Information – These schedules contain trend information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

Schedule 8 – Ratios of Outstanding Debt.....	144
Schedule 9 – Other Long-Term Liabilities	145
Schedule 10 – Pledged Revenue Coverage.....	146

Demographic and Economic Information – These schedules contain trend information to help the reader understand the environment in which the State's financial activities occur.

Schedule 11 – Demographic and Economic Indicators	148
Schedule 12 – Principal Employers	150
Schedule 13 – Education Enrollment.....	150

Operating Information – These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the state government.

Schedule 14 – State Employees by Function	151
Schedule 15 – Operating Indicators by Function.....	152
Schedule 16 – Capital Asset Statistics by Function.....	154

Miscellaneous Statistics – This information may provide the reader with more insight into the State's financial and demographic status.

Schedule 17 – Assets, Liabilities, and Fund Balances—General Fund Accounts.....	156
Schedule 18 – Revenues, Expenditures, and Changes in Fund Balances—General Fund Accounts	158
Schedule 19 – Miscellaneous Statistics.....	160

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Report.



Schedule 1 - Net Assets by Component**Fiscal Years 2002-2005***(accrual basis of accounting, dollars in thousands)*

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt ¹	\$3,498,136	\$3,616,310	\$3,755,317	\$3,968,562
Restricted ²	1,006,427	1,044,171	1,230,263	1,291,077
Unrestricted ³	399,894	287,169	409,412	602,438
Total Governmental Activities Net Assets	\$4,904,457	\$4,947,650	\$5,394,992	\$5,862,077
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt	\$392,358	\$418,240	\$411,159	\$447,206
Restricted ⁴	602,219	572,682	556,540	619,352
Unrestricted ⁵	109,473	114,929	165,165	151,832
Total Business-Type Activities Net Assets	\$1,104,050	\$1,105,851	\$1,132,864	\$1,218,390
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$3,890,494	\$4,034,550	\$4,166,476	\$4,415,768
Restricted	1,608,646	1,616,853	1,786,803	1,910,429
Unrestricted	509,367	402,098	574,577	754,270
Total Primary Government Net Assets	\$6,008,507	\$6,053,501	\$6,527,856	\$7,080,467

NOTE: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

¹In fiscal year 2005 the governmental activities' investments in capital assets increased by \$213 million. This increase reflects a higher level of capital spending by many state agencies with the most significant increases recorded by the Idaho State Building Authority (for buildings) and the Idaho Transportation Department (for land and infrastructure).

²In fiscal year 2004 governmental activities' restricted net assets increased by \$186 million primarily due to permanent fund investment gains and Idaho State Building Authority bond proceeds.

³In fiscal year 2003 the governmental activities' unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet the State's current year obligations. The balance increased in fiscal years 2004 and 2005 due to a temporary sales tax increase and a strengthening economy.

⁴In fiscal year 2005 business-type activities' restricted net assets increased \$63 million due to cash being reclassified as a restricted asset in the Loan fund based on restrictions placed upon its use by a third party.

⁵Business-type activities' unrestricted net assets increased in fiscal year 2004 primarily due to increased grant revenues for colleges and universities and the Loan fund.

Schedule 2 - Changes in Net Assets**Fiscal Years 2002-2005**

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005
Governmental Activities:				
Expenses				
General Government	\$486,809	\$458,586	\$504,727	\$609,348
Public Safety and Correction	239,336	238,050	241,550	229,158
Health and Human Services ¹	1,242,566	1,347,997	1,507,865	1,600,692
Education	1,244,030	1,252,020	1,287,879	1,331,795
Economic Development	577,468	587,152	600,341	616,149
Natural Resources	215,537	170,761	186,594	205,635
Interest Expense	16,652	18,911	16,556	18,175
Total Expenses	4,022,398	4,073,477	4,345,512	4,610,952
Program Revenues				
Charges for Services:				
General Government	218,739	250,065	288,592	302,554
Public Safety and Correction	19,979	21,394	22,912	22,201
Health and Human Services	57,702	71,930	71,502	88,585
Education	8,205	9,550	9,288	7,560
Economic Development	198,705	197,041	198,643	203,550
Natural Resources	115,256	122,034	123,613	123,183
Operating Grants and Contributions ²	1,230,063	1,461,507	1,787,214	1,832,487
Capital Grants and Contributions	3,564	1,882	3,284	5,211
Total Program Revenues	1,852,213	2,135,403	2,505,048	2,585,331
Total Governmental Activities Net Program Expense	(2,170,185)	(1,938,074)	(1,840,464)	(2,025,621)
General Revenues and Other Changes in Net Assets				
Taxes:				
Sales Tax ³	789,110	860,526	1,039,746	1,135,210
Individual and Corporate Taxes ⁴	877,594	922,790	991,520	1,167,799
Fuel Tax	231,105	223,515	215,096	220,801
Other Taxes	133,329	160,935	182,606	185,375
Tobacco Settlement	26,602	23,772	23,004	23,145
Grants Not Restricted to Specific Programs			50,007	
Unrestricted Investment Earnings	21,008	13,457	12,020	15,595
Transfers	(228,921)	(223,729)	(226,193)	(255,219)
Total General Revenues and Other Changes in Net Assets	1,849,827	1,981,266	2,287,806	2,492,706
Total Governmental Activities Change in Net Assets	(\$320,358)	\$43,192	\$447,342	\$467,085
Business-Type Activities:				
Expenses				
College and University	\$665,908	\$667,324	\$699,674	\$753,689
Unemployment Compensation	182,343	179,423	164,950	142,862
Loan	1,369	1,072	913	654
Nonmajor Enterprise Funds	142,494	150,401	166,628	174,896
Total Expenses	992,114	998,220	1,032,165	1,072,101
Revenues				
Charges for Services:				
College and University	192,388	243,292	250,417	288,353
Unemployment Compensation	153,031	124,379	130,789	143,828
Loan	6,077	7,067	6,077	8,508
Nonmajor Enterprise Funds	169,335	181,033	199,856	213,705
Operating Grants and Contributions	174,575	198,007	222,013	228,049
Capital Grants and Contributions	42,488	22,515	23,833	19,965
Total Revenues	737,894	776,293	832,985	902,408
Total Business-Type Activities Net Program Expense	(254,220)	(221,927)	(199,180)	(169,693)
General Revenues and Other Changes in Net Assets				
Transfers	271,104	223,729	226,193	255,219
Total General Revenues and Other Changes in Net Assets	271,104	223,729	226,193	255,219
Total Business-Type Activities Change in Net Assets	16,884	1,802	27,013	85,526
Total Primary Government Change in Net Assets	(\$303,474)	\$44,994	\$474,355	\$552,611

¹From fiscal years 2002 to 2005 health and human services' expenses have reflected continuous growth due to rising Medicaid and income assistance payments. However, these growing costs have been offset by increased general revenue support and federal grant revenues.

²Operating grants and contributions have steadily risen primarily due to grant increases benefitting health, transportation, and education.

³From fiscal year 2003 to 2005 sales taxes increased due to a temporary sales tax increase and increased consumer spending.

⁴Individual and corporate income taxes increased in fiscal year 2005 by \$176 million due to increased levels of employment and personal income.

Schedule 3 - Fund Balances, Governmental Funds

Fiscal Years 1996-2005

(modified accrual basis of accounting, dollars in thousands)

	1996	1997	1998	1999	2000	2001
General Fund						
Reserved	\$24,091	\$27,292	\$18,876	\$31,236	\$30,235	\$55,064
Unreserved ¹	253,650	202,413	243,388	276,219	480,255	554,785
Total General Fund	277,741	229,705	262,264	307,455	510,490	609,849
All Other Governmental Funds						
Reserved	41,870	110,563	195,538	118,593	87,863	70,819
Unreserved, Reported in:						
Special Revenue Funds	277,753	193,605	218,945	272,841	245,723	250,225
Permanent Funds ²						
Total All Other Governmental Funds	319,623	304,168	414,483	391,434	333,586	321,044
Total Fund Balances, Governmental Funds	\$597,364	\$533,873	\$676,747	\$698,889	\$844,076	\$930,893

Note: GASB 34 was implemented in fiscal year 2002. This Standard required the reclassification of certain funds; prior years have not been restated.

¹Idaho's economy suffered in fiscal years 2002 and 2003 during the national recession, as reflected in the decreased General Fund balances.

²GASB 34 required the reclassification of the Public School and Pooled Endowment funds from non-expendable trust funds (fiduciary-type) to permanent funds.

2002	2003	2004	2005
(as restated)	(as restated)	(as restated)	
\$40,311	\$16,248	\$33,012	\$28,703
324,274	205,540	337,570	544,301
364,585	221,788	370,582	573,004
722,033	784,150	893,308	911,390
261,903	255,318	279,832	278,100
15,886	11,495	28,421	53,992
999,822	1,050,963	1,201,561	1,243,482
\$1,364,407	\$1,272,751	\$1,572,143	\$1,816,486

Schedule 4 - Changes in Fund Balances, Governmental Funds**Fiscal Years 1996-2005***(modified accrual basis of accounting, dollars in thousands)*

	1996	1997	1998	1999	2000	2001
Revenues						
Sales Tax ¹	\$605,412	\$623,960	\$663,853	\$712,314	\$761,628	\$778,162
Individual and Corporate Taxes ¹	947,764	971,289	1,053,059	1,109,126	1,285,262	1,171,467
Other Taxes	303,609	368,926	377,753	385,481	406,781	412,171
Licenses, Permits, and Fees	151,297	143,407	158,196	168,189	179,089	214,509
Sale of Goods and Services	49,312	55,138	79,140	96,997	107,480	112,987
Grants and Contributions ¹	805,441	895,013	903,019	940,360	1,100,570	1,264,609
Investment Income ²	72,386	80,233	97,688	103,199	102,169	96,525
Other Income	90,336	41,998	57,119	52,863	85,503	57,240
Total Revenues	3,025,557	3,179,964	3,389,827	3,568,529	4,028,482	4,107,670
Expenditures						
General Government	350,097	383,209	413,321	378,708	418,639	253,747
Public Safety and Correction	137,897	157,466	174,167	190,625	204,137	233,793
Health and Human Services ³	698,069	736,387	772,569	835,528	911,642	1,078,943
Education	938,746	989,014	1,005,489	1,134,474	1,169,920	1,226,922
Economic Development	310,688	389,009	368,881	404,604	421,421	436,532
Natural Resources	113,097	110,699	108,869	116,564	125,977	135,682
Capital Outlay	251,089	258,697	266,672	324,188	350,656	401,518
Intergovernmental Revenue Sharing	197,942	189,671	220,346	207,332	235,804	259,360
Debt Service:						
Principal						
Interest						
Total Expenditures	2,997,625	3,214,152	3,330,314	3,592,023	3,838,196	4,026,497
Revenues Over (Under) Expenditures	27,932	(34,188)	59,513	(23,494)	190,286	81,173
Other Financing Sources (Uses)						
Bonds and Notes Issued			59,525	5,041		5,856
Discount on Bonds Issued						
Capital Lease Acquisitions			105	19	130	669
Sale of Capital Assets						
Transfers In	1,040,035	1,092,039	1,140,342	1,222,166	404,084	484,088
Transfers Out	(1,012,450)	(1,062,033)	(1,111,469)	(1,191,819)	(378,217)	(458,235)
Total Other Financing Sources (Uses)	27,585	30,006	88,503	35,407	25,997	32,378
Net Changes in Fund Balances	\$55,517	(\$4,182)	\$148,016	\$11,913	\$216,283	\$113,551

Debt Service as a Percentage of Noncapital Expenditures

Note: GASB 34 was implemented in fiscal year 2002. This Standard required the reclassification of certain funds; prior years have not been restated.

¹In fiscal years 2002 and 2003 individual and corporate income taxes decreased due to a structural reduction in the state tax base and the national recession. The state sales tax rate increased from 5 to 6 percent on May 1, 2003, accounting for the increase in sales tax revenue; the rate reverted to 5 percent on July 1, 2005. Revenues increased in fiscal years 2004 and 2005 due to greater sales, individual, and corporate tax revenues; and federal grant revenues.

²Investment income reflects a loss for fiscal year 2002 due to the effects of the national recession and the resultant decrease in the fair value of permanent fund investments.

³Health and human services' expenditures have steadily risen due to increasing Medicaid and income assistance payments.

2002 (as restated)	2003 (as restated)	2004 (as restated)	2005
\$778,028	\$864,509	\$1,040,448	\$1,137,138
889,746	904,204	997,454	1,176,903
362,546	387,820	397,950	406,620
212,733	230,598	240,323	244,165
173,220	181,049	252,291	260,539
1,330,474	1,447,574	1,719,520	1,757,713
(52,315)	49,681	135,718	104,557
73,243	102,806	70,506	71,198
3,767,675	4,168,241	4,854,210	5,158,833
127,440	104,109	122,876	143,584
218,142	212,878	219,417	233,598
1,206,910	1,315,668	1,468,736	1,561,765
1,219,332	1,240,835	1,279,486	1,324,069
326,868	347,280	307,312	346,256
162,199	147,630	163,769	178,401
353,389	401,279	436,133	461,907
342,501	315,444	385,698	393,195
4,850	6,915	8,061	10,880
11,587	12,511	8,069	17,671
3,973,218	4,104,549	4,399,557	4,671,326
(205,543)	63,692	454,653	487,507
16,440	64,145	64,795	26
(144)	(763)	(864)	
8			3,757
		6,909	8,037
547,785	525,453	553,181	594,877
(776,385)	(744,183)	(779,283)	(849,861)
(212,296)	(155,348)	(155,262)	(243,164)
(\$417,839)	(\$91,656)	\$299,391	\$244,343
<1	<1	<1	<1

State of Idaho

Schedule 5 - Revenue Base

Fiscal/Calendar Years 1996-2005 (dollars in thousands)

Taxable Sales by Industry

	Fiscal Year					
	1996	1997	1998	1999	2000	2001
Commercial Farms	\$5,114	\$5,400	\$5,200	\$5,075	\$6,224	\$5,449
Agricultural/Forestry, Fishing, and Other	40,072	45,338	46,922	50,756	61,284	58,662
Mining	30,433	27,479	27,931	32,007	32,947	32,138
Construction	240,014	267,512	251,953	260,828	281,400	273,933
Manufacturing	889,195	826,601	829,235	1,060,137	969,768	994,325
Transportation and Public Utilities	165,501	166,948	152,729	170,342	202,097	224,342
Wholesale Trade	767,246	779,745	803,414	822,386	929,375	874,526
Retail Trade	8,092,250	8,477,316	8,886,968	9,605,074	10,165,734	9,567,159
Finance, Insurance, and Real Estate	80,177	91,596	118,542	163,235	191,574	171,804
Services	1,348,639	1,408,369	1,495,083	1,546,476	1,664,407	1,615,100
State and Local Government	314,704	338,547	352,376	378,660	407,500	394,094
Total Taxable Sales	\$11,973,345	\$12,434,851	\$12,970,353	\$14,094,976	\$14,912,310	\$14,211,532
Direct Sales Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Personal Income by Industry¹

	Calendar Year					
	1996	1997	1998	1999	2000	2001
Farm Earnings	\$947,300	\$778,645	\$959,461	\$1,046,237	\$866,537	\$1,049,395
Agricultural/Forestry, Fishing, and Other	217,515	239,400	NA	292,060	310,685	383,042
Mining	206,548	203,523	NA	187,955	193,752	115,859
Construction/Utilities	1,473,917	1,496,200	1,547,583	1,709,068	1,770,246	2,017,017
Manufacturing	3,229,801	3,349,516	3,435,173	3,811,406	4,410,364	3,453,459
Transportation and Public Utilities	1,236,200	1,245,701	1,323,782	1,391,634	1,483,338	1,026,335
Wholesale Trade	971,344	1,022,466	1,091,211	1,206,050	1,298,831	1,120,540
Retail Trade	1,791,926	1,871,824	1,989,010	2,161,592	2,322,831	2,037,178
Finance, Insurance, and Real Estate	900,118	946,870	1,065,626	1,203,439	1,310,499	1,383,170
Services	3,767,133	4,045,361	4,419,995	4,760,534	5,321,967	7,497,238
Federal, civilian	694,355	714,089	743,916	760,800	817,882	841,421
Military	252,689	278,498	289,191	300,167	309,941	327,526
State and Local Government	2,442,129	2,552,698	2,703,474	2,891,282	3,036,500	3,239,555
Other ²	6,228,800	6,622,057	7,200,905	7,345,916	7,836,409	8,598,586
Total Personal Income	\$24,359,775	\$25,366,848	\$26,769,327	\$29,068,140	\$31,289,782	\$33,090,321
Total Direct Personal Income Tax Rate	NA	8.0%	8.0%	8.0%	8.0%	6.9%

Corporate Income by Category

	Calendar Year					
	1996	1997	1998	1999	2000	2001
Corporations	NA	(\$26,098)	(\$403,419)	(\$554,300)	(\$51,141)	(\$1,677,005)
Sub-S Corporations	NA	29,244	32,293	31,775	50,385	39,893
Partnerships	NA	(24,836)	(46,322)	(42,092)	(52,021)	(241,506)
Fiduciary	NA	36,767	31,199	33,550	52,321	(10,005)
Total Corporate Income	NA	\$15,077	(\$386,249)	(\$531,067)	(\$456)	(\$1,888,623)
Direct Corporate Income Tax Rate	8.0%	8.0%	8.0%	8.0%	8.0%	7.6%

Fuel Sales by Category³ (in thousands of gallons)

	Fiscal Year					
	1996	1997	1998	1999	2000	2001
Diesel						
Gasoline						
Propane						
Natural Gas						
Aviation						
Jet						
Total Fuel Sales						
Total Direct Fuel Tax Rate						

Sources: Taxable sales, corporate income, and fuel sales--Idaho State Tax Commission; Personal income--US Bureau of Economic Analysis and the Idaho Division of Financial Management.

¹The US Bureau of Economic Analysis switched from SIC to NAICS system in calendar year 2001. Personal income data for calendar years 2004 and 2005 are estimates.

²Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

³Fuel sales are not available for fiscal years 1996 through 2001.

2002	2003	2004	2005
\$8,020	\$7,674	\$7,265	\$8,687
70,264	73,489	75,997	85,183
35,884	39,280	47,589	53,612
327,244	322,652	315,977	410,645
1,063,164	1,150,728	1,012,159	1,026,589
247,881	176,603	226,260	253,306
948,927	1,004,481	1,063,094	1,246,743
11,020,633	11,386,198	11,968,267	12,769,055
133,105	123,765	116,476	117,091
1,873,229	1,858,090	1,855,726	1,884,819
1,720,162	523,861	620,550	671,249
\$17,448,513	\$16,666,821	\$17,309,360	\$18,526,979
5.0%	5.0%	6.0%	6.0%

2002	2003	2004	2005
\$1,001,729	\$977,353	\$982,000	\$1,081,000
396,305	406,454	430,000	442,000
112,203	123,961	136,000	153,000
1,977,209	2,051,862	2,297,000	2,537,000
3,383,209	3,426,592	3,610,000	3,748,000
1,106,336	1,092,707	1,161,000	1,222,000
1,118,524	1,137,069	1,235,000	1,339,000
2,091,216	2,189,897	2,323,000	2,446,000
1,447,502	1,586,155	1,747,000	1,846,000
7,820,086	8,178,442	8,872,000	9,329,000
876,740	911,336	939,000	967,000
370,274	407,792	526,000	545,000
3,451,608	3,567,004	3,780,000	3,974,000
8,810,363	8,897,701	9,837,000	10,097,000
\$33,963,304	\$34,954,325	\$37,875,000	\$39,726,000
6.9%	6.9%	NA	NA

2002	2003	2004	2005
(\$1,889,357)	(\$233,472)	NA	NA
28,494	39,253	NA	NA
(159,037)	(22,093)	NA	NA
(26,256)	(120,714)	NA	NA
(\$2,046,156)	(\$337,026)	NA	NA
7.6%	7.6%	7.6%	7.6%

2002	2003	2004	2005
228,171	230,162	239,784	241,079
612,947	617,800	629,499	625,453
147	135	138	98
12	15	12	16
3,021	2,778	2,926	2,512
30,081	29,401	26,921	28,250
874,379	880,291	899,280	897,408
24.2%	24.3%	24.3%	24.3%

Schedule 6 - Revenue Rates

Fiscal/Calendar Years 1996-2005

Personal Income Tax Rates¹ (dollars in thousands)

Calendar Year

	1996	1997	1998	1999	2000 ²	2001 ²	2002	2003	2004	2005
Tax Rates for Single and Married Filing Separately on the Portion of Taxable Income in Ranges										
Tax Rate	2.0%	2.0%	2.0%	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels	\$0-1.0	\$0-1.0	\$0-1.0	\$0-1.0	\$0-1.0	\$0-1.1	\$0-1.1	\$0-1.1	\$0-1.1	\$0-1.2
Tax Rate	4.0%	4.0%	4.0%	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels	\$1.0-2.0	\$1.0-2.0	\$1.0-2.0	\$1.0-2.0	\$1.0-2.0	\$1.1-2.1	\$1.1-2.2	\$1.1-2.2	\$1.1-2.3	\$1.2-2.3
Tax Rate	4.5%	4.5%	4.5%	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels	\$2.0-3.0	\$2.0-3.0	\$2.0-3.0	\$2.0-3.0	\$2.0-3.1	\$2.1-3.2	\$2.2-3.3	\$2.2-3.3	\$2.3-3.4	\$2.3-3.5
Tax Rate	5.5%	5.5%	5.5%	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels	\$3.0-4.0	\$3.0-4.0	\$3.0-4.0	\$3.0-4.0	\$3.1-4.1	\$3.2-4.2	\$3.3-4.3	\$3.3-4.4	\$3.4-4.5	\$3.5-4.6
Tax Rate	6.5%	6.5%	6.5%	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels	\$4.0-5.0	\$4.0-5.0	\$4.0-5.0	\$4.0-5.0	\$4.1-5.1	\$4.2-5.3	\$4.3-5.4	\$4.4-5.5	\$4.5-5.6	\$4.6-5.8
Tax Rate	7.5%	7.5%	7.5%	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels	\$5.0-7.5	\$5.0-7.5	\$5.0-7.5	\$5.0-7.5	\$5.1-7.7	\$5.3-7.9	\$5.4-8.1	\$5.5-8.3	\$5.6-8.5	\$5.8-8.7
Tax Rate	7.8%	7.8%	7.8%	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels	\$7.5-20.0	\$7.5-20.0	\$7.5-20.0	\$7.5-20.0	\$7.7-20.4	\$7.9-21.1	\$8.1-21.7	\$8.3-22.1	\$8.5-22.6	\$8.7-23.2
Tax Rate	8.2%	8.2%	8.2%	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels	\$20.0 +	\$20.0 +	\$20.0 +	\$20.0 +	\$20.4 +	\$21.1 +	\$21.7 +	\$22.1 +	\$22.6 +	\$23.2 +

Tax Rates for Married Filing Jointly, Head of Household, and Qualifying Widow(er)s on the Portion of Taxable Income in Ranges

Tax Rate	2.0%	2.0%	2.0%	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels	\$0-2.0	\$0-2.0	\$0-2.0	\$0-2.0	\$0-2.0	\$0-2.2	\$0-2.2	\$0-2.2	\$0-2.2	\$0-2.3
Tax Rate	4.0%	4.0%	4.0%	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels	\$2.0-4.0	\$2.0-4.0	\$2.0-4.0	\$2.0-4.0	\$2.0-4.0	\$2.2-4.2	\$2.2-4.3	\$2.2-4.4	\$2.2-4.5	\$2.3-4.6
Tax Rate	4.5%	4.5%	4.5%	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels	\$4.0-6.0	\$4.0-6.0	\$4.0-6.0	\$4.0-6.0	\$4.0-6.2	\$4.2-6.3	\$4.3-6.5	\$4.4-6.6	\$4.5-6.8	\$4.6-7.0
Tax Rate	5.5%	5.5%	5.5%	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels	\$6.0-8.0	\$6.0-8.0	\$6.0-8.0	\$6.0-8.0	\$6.2-8.2	\$6.3-8.4	\$6.5-8.7	\$6.6-8.8	\$6.8-9.0	\$7.0-9.3
Tax Rate	6.5%	6.5%	6.5%	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels	\$8.0-10.0	\$8.0-10.0	\$8.0-10.0	\$8.0-10.0	\$8.2-10.2	\$8.4-10.5	\$8.7-10.9	\$8.8-11.0	\$9.0-11.2	\$9.3-11.6
Tax Rate	7.5%	7.5%	7.5%	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels	\$10.0-15.0	\$10.0-15.0	\$10.0-15.0	\$10.0-15.0	\$10.2-15.4	\$10.5-15.8	\$10.9-16.3	\$11.0-16.6	\$11.2-17.0	\$11.6-17.4
Tax Rate	7.8%	7.8%	7.8%	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels	\$15.0-40.0	\$15.0-40.0	\$15.0-40.0	\$15.0-40.0	\$15.4-40.8	\$15.8-42.2	\$16.3-43.5	\$16.6-44.1	17.0-45.1	17.4-46.4
Tax Rate	8.2%	8.2%	8.2%	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels	\$40.0 +	\$40.0 +	\$40.0 +	\$40.0 +	\$40.8 +	\$42.2 +	\$43.5 +	\$44.1 +	\$45.1 +	\$46.4 +

Total Direct Rate	NA	8.0%	8.0%	8.0%	8.0%	6.9%	6.9%	6.9%	NA	NA
--------------------------	----	------	------	------	------	------	------	------	----	----

Fuel Tax Rates per Gallon

Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Diesel	0.210	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Gasoline	0.210	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Propane	0.152	0.181	0.181	0.181	0.181	0.181	0.181	0.181	0.181	0.181
Natural Gas	0.165	0.197	0.197	0.197	0.197	0.197	0.197	0.197	0.197	0.197
Aviation Fuel	0.055	0.055	0.055	0.055	0.055	0.055	0.055	0.055	0.055	0.055
Jet Fuel	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045
Total Direct Rate	NA	NA	NA	NA	NA	NA	24.2%	24.3%	24.3%	24.3%

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and fuel tax rates by legislation, no vote of the populace is required; *Idaho Constitution*, Art. VII, §16; *Idaho Code*, Sections 63-3024 and 63-2402.

¹ Idaho's personal income tax brackets are adjusted each year for inflation.² The Legislature passed structural reductions in the state income tax base effective for calendar years 2000 and 2001.

Schedule 7 - Revenue Payers by Industry/Category
Most Current Fiscal/Calendar Year and Historical Comparison
(dollars in thousands)

Sales Tax

As of June 30, 1999					As of June 30, 2004			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	303	0.5	\$257	0.0	319	0.5	\$430	0.0
Agricultural	819	1.4	2,554	0.4	1,004	1.7	4,675	0.4
Mining	128	0.2	1,452	0.2	125	0.2	2,892	0.3
Construction	3,148	5.5	11,749	1.7	3,637	6.1	18,484	1.8
Manufacturing	4,193	7.4	43,800	6.3	3,677	6.1	59,991	5.8
Transportation & Utilities	861	1.5	7,608	1.1	1,205	2.0	12,089	1.2
Wholesale trade	1,968	3.4	41,796	6.0	1,982	3.3	64,145	6.2
Retail trade	26,871	47.0	481,441	69.3	27,812	46.5	720,774	69.8
Finance, Insurance, and Real Estate	593	1.0	8,103	1.2	627	1.0	6,753	0.7
Services	17,981	31.5	76,950	11.1	18,968	31.6	110,877	10.7
Government	339	0.6	19,047	2.7	575	1.0	31,943	3.1
Total	57,204	100.0	\$694,757	100.0	59,931	100.0	\$1,033,053	100.0

Personal Income

As of December 31, 1997					As of December 31, 2003			
Income Level	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
\$50,000 and under	483,685	91.4	\$358,928	48.3	525,359	88.7	\$358,941	41.3
\$50,000 - \$100,000	34,464	6.5	165,225	22.2	50,770	8.6	230,310	26.5
\$100,000 - \$250,000	8,369	1.6	90,764	12.2	12,823	2.2	128,470	14.8
\$250,000 - \$1,000,000	2,306	0.4	73,241	9.9	3,129	0.5	92,383	10.6
\$1,000,000 and higher	290	0.1	55,376	7.4	377	0.0	58,954	6.8
Total	529,114	100.0	\$743,534	100.0	592,458	100.0	\$869,058	100.0

Corporate Income

As of Tax Year 1997					As of Tax Year 2003			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	15,417	29.9	\$84,674	91.2	13,165	21.3	\$71,162	86.2
Sub-S Corporations	14,705	28.5	3,492	3.8	21,870	35.4	5,431	6.6
Partnerships	13,301	25.8	842	0.9	18,345	29.6	2,356	2.8
Fiduciary	8,175	15.8	3,800	4.1	8,454	13.7	3,616	4.4
Total	51,598	100.0	\$92,808	100.0	61,834	100.0	\$82,565	100.0

Fuel Tax

As of June 30, 2002					As of June 30, 2005			
	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total
Diesel	133	39.9	\$57,013	26.9	115	41.7	\$60,251	27.6
Gasoline	138	41.5	153,105	72.3	110	39.8	156,293	71.7
Propane	26	7.8	50	0.0	25	9.1	40	0.0
Natural Gas	2	0.6	9	0.0	1	0.4	9	0.0
Aviation Fuel	14	4.2	166	0.1	10	3.6	138	0.1
Jet Fuel	20	6.0	1,352	0.7	15	5.4	1,271	0.6
Total	333	100.0	\$211,695	100.0	276	100.0	\$218,002	100.0

Source: Idaho State Tax Commission.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2003. Data prior to calendar year 1997 for income tax, fiscal year 1999 for sales tax, and fiscal year 2002 for fuel tax is not available.

¹ The total number of filers for fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

Schedule 8 - Ratios of Outstanding Debt
Fiscal Years 1997-2005
(dollars in thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Governmental Activities									
Revenue Bonds	\$51,110	\$106,510	\$102,130	\$97,635	\$97,300	\$105,802	\$153,624	\$211,031	\$203,067
Capital Leases	5,021	4,667	3,920	3,469	4,417	4,121	3,977	5,915	9,290
Notes Payable								3,167	1,189
Total Governmental Activities	\$56,131	\$111,177	\$106,050	\$101,104	\$101,717	\$109,923	\$157,601	\$220,113	\$213,546
Business-Type Activities									
Revenue Bonds	\$126,850	\$160,008	\$188,356	\$195,222	\$193,352	\$262,314	\$262,517	\$318,138	\$329,835
Capital Leases	5,787	7,328	6,754	8,759	10,473	11,078	6,464	5,928	5,107
Notes Payable	8,841	8,164	8,708	8,152	7,747	12,594	12,392	11,841	17,104
Total Business-Type Activities	\$141,478	\$175,500	\$203,818	\$212,133	\$211,572	\$285,986	\$281,373	\$335,907	\$352,046
Total Primary Government	\$197,609	\$286,677	\$309,868	\$313,237	\$313,289	\$395,909	\$438,974	\$556,020	\$565,592
Personal Income¹	0.8%	1.1%	1.2%	1.1%	1.0%	1.2%	1.3%	1.6%	1.5%
Amount of Debt Per Capita¹	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.3	\$0.3	\$0.4	\$0.4

Note: The *Idaho Constitution*, Article VIII, §1, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in the long-term debt note of the financial statements.

¹These ratios are calculated using personal income and population for the prior calendar year. See Schedule 11 for personal income and population data.

Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2002-2005

(dollars in thousands)

	2002	2003	2004	2005
Governmental Activities				
Compensated Absences	\$40,635	\$40,113	\$41,206	\$43,074
Policy Claim Liabilities	40,645	39,429	35,175	37,263
Claims and Judgments	49,845	43,468	44,129	36,990
Net Pension Obligation	19	124	375	621
Total Governmental Activities	\$131,144	\$123,134	\$120,885	\$117,948
Business-Type Activities				
Compensated Absences	\$21,432	\$20,210	\$19,507	\$16,814
Claims and Judgments ¹	1,726			
Grand Prize Annuities Payable ¹	74,747			
Total Business-Type Activities	\$97,905	\$20,210	\$19,507	\$16,814
Total Primary Government	\$229,049	\$143,344	\$140,392	\$134,762

Note: Details regarding the liabilities listed above can be found in the long-term debt note of the financial statements.

¹In fiscal year 2003 the Idaho State Lottery changed its method of reporting liabilities and investments related to grand prize winners receiving annuity payments, eliminating both the long-term liability and related investment.

Schedule 10 - Pledged Revenue Coverage
Fiscal Years 1996-2005

(dollars in thousands)

	1996	1997	1998	1999	2000	2001
Revenue Bonds - Idaho State Building Authority						
Revenue - Lease and Rental Payments	\$5,946	\$5,652	\$6,279	\$6,303	\$6,410	\$7,613
Less: Operating Expenses	(200)	(190)	(170)	(179)	(179)	(259)
Net Available Revenue	<u>\$5,746</u>	<u>\$5,462</u>	<u>\$6,109</u>	<u>\$6,124</u>	<u>\$6,231</u>	<u>\$7,354</u>
Debt Service: ¹						
Principal	\$3,550	\$3,900	\$4,125	\$4,380	\$4,595	\$6,025
Interest	\$3,067	\$2,900	\$2,228	\$4,732	\$4,524	\$4,274
Coverage	0.9	0.8	1.0	0.7	0.7	0.7
Revenue Bonds - Colleges and Universities²						
Revenue:						
Student Fees Pledged						
Sale of Goods and Services Pledged						
Less: Operating Expenses						
Net Available Revenue						
Debt Service: ³						
Principal						
Interest						
Coverage						
Revenue Bonds - Idaho Water Resources Board⁴						
Revenue:						
Sale of Goods and Services						\$934
Interest Earned on Bond Proceeds				\$19	\$163	10
Less: Operating Expenses					(2)	(2)
Net Available Revenue				<u>\$19</u>	<u>\$161</u>	<u>\$942</u>
Debt Service						
Principal						\$10
Interest					\$371	\$371
Coverage					0.4	2.5

Note: Details regarding the State's outstanding bonds can be found in the long-term debt note of the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

¹In fiscal year 2003 the Idaho State Building Authority issued bonds of \$64 million, accounting for the increase in debt service.

²GASB Statements No. 34 and 35 were implemented in fiscal year 2002 requiring the initial reporting of pledged revenue. Pledged revenue increased in fiscal year 2004 due to a change in how the colleges and universities define pledged revenue. The colleges and universities are in the process of consolidating all outstanding bonds into a single bond system. The bond covenant was amended to require that fees and charges be established in amounts sufficient to produce pledged revenues each year equal to 120 percent of the debt service for such fiscal year on all bonds outstanding.

³Idaho State University issued new bonds in the amount of \$35.9 million in fiscal year 2004; the University of Idaho refunded two series 1994 issues in fiscal year 2003 and four issues were partially refunded in fiscal year 2005, accounting for the changes in debt service.

⁴In fiscal year 1999 the Idaho Water Resources Board issued bonds to fund the Dworshak Project, a dam and power-generation station. The bond proceeds were invested until needed to pay construction costs, resulting in interest earned. Upon completion of the Dworshak Project in fiscal year 2001, hydro-electric power has been sold to service the bond payments.

2002	2003	2004	2005
\$10,863	\$10,370	\$10,439	\$11,738
(217)	(312)	(271)	(389)
\$10,646	\$10,058	\$10,168	\$11,349
\$6,615	\$15,810	\$5,795	\$8,500
\$4,536	\$5,521	\$7,259	\$6,668
1.0	0.5	0.8	0.7
\$36,855	\$36,578	\$120,060	\$131,669
29,343	31,288	63,650	66,414
NA	NA	(43,052)	(50,720)
\$66,198	\$67,866	\$140,658	\$147,363
\$6,195	\$6,130	\$14,850	\$8,940
\$11,059	\$13,558	\$14,056	\$15,220
3.8	3.4	4.9	6.1
\$727	\$862	\$905	\$926
(119)	(3)	(128)	(66)
\$608	\$859	\$777	\$860
\$25	\$40	\$60	\$80
\$371	\$369	\$366	\$363
1.5	2.1	1.8	1.9

Schedule 11 - Demographic and Economic Indicators
Calendar Years 1996-2005

	1996	1997	1998	1999	2000	2001
Population						
Idaho (<i>in thousands</i>)	1,203	1,228	1,252	1,276	1,299	1,321
Change	2.2%	2.1%	1.9%	1.9%	1.8%	1.7%
National (<i>in thousands</i>)	270,115	273,368	276,553	279,731	282,795	285,721
Change	1.2%	1.2%	1.2%	1.1%	1.1%	1.0%
Total Personal Income¹						
Idaho (<i>in billions</i>)	\$24	\$25	\$27	\$29	\$31	\$33
Change	6.5%	4.1%	7.6%	6.5%	7.6%	5.6%
National (<i>in billions</i>)	\$6,521	\$6,915	\$7,423	\$7,802	\$8,430	\$8,724
Change	6.0%	6.1%	7.3%	5.1%	8.0%	3.5%
Per Capita Personal Income²						
Idaho	\$20,246	\$20,649	\$21,788	\$22,784	\$24,084	\$25,029
Change	4.2%	2.0%	5.5%	4.6%	5.7%	3.9%
National	\$24,139	\$25,295	\$26,840	\$27,891	\$29,807	\$30,534
Change	4.8%	4.8%	6.1%	3.9%	6.9%	2.4%
Median Age - Idaho	32.5	32.6	32.8	33.0	33.2	33.4
Educational Attainment						
8th Grade or Less	7.4%	7.4%	7.4%	7.4%	7.4%	4.7%
Some High School, No Diploma	12.9%	12.9%	12.9%	12.9%	12.9%	9.1%
High School Diploma	30.4%	30.4%	30.4%	30.4%	30.4%	31.5%
Some College, No Degree	24.2%	24.2%	24.2%	24.2%	24.2%	25.7%
Associate, Bachelor's or Graduate Degree	25.1%	25.1%	25.1%	25.1%	25.1%	29.0%
Resident Civilian Labor Force and Employment in Idaho						
Civilian Labor Force	619,304	633,600	653,056	655,300	657,712	682,228
Employed	586,874	599,800	620,217	621,400	625,798	648,392
Unemployed	32,430	33,800	32,839	33,900	31,914	33,836
Unemployment Rate	5.2%	5.3%	5.0%	5.2%	4.9%	5.0%
Nonfarm Wage and Salary Workers Employed in Idaho³						
Goods Producing Industries						
Mining	2,977	2,996	2,817	2,485	2,347	1,973
Logging and Wood Products	12,023	11,897	11,464	11,482	11,571	9,852
Construction	31,112	32,324	32,628	35,023	36,502	37,856
Manufacturing-Durable Goods	30,424	32,318	34,428	34,220	35,840	35,247
Manufacturing-Nondurable Goods	25,865	25,970	25,636	25,514	25,625	25,293
Total Goods Producing Industries	102,401	105,505	106,973	108,724	111,885	110,221
Non-Goods Producing Industries						
Trade	89,134	91,683	93,772	96,725	100,169	98,088
Service	202,106	210,034	217,464	227,557	238,280	249,575
State and Local Government	84,360	87,297	89,467	92,263	94,745	96,863
Federal Government	12,899	12,904	12,800	12,834	13,502	13,280
Total Non-Goods Producing Industries	388,499	401,918	413,503	429,379	446,696	457,806
Total Nonfarm Wage and Salary Employment	490,900	507,423	520,476	538,103	558,581	568,027

Sources: Idaho Division of Financial Management, Idaho Department of Commerce and Labor, and U.S. Bureau of Labor Statistics.

Note: Amounts for calendar year 2005 are estimates.

¹Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

²Per capita personal income is calculated by dividing total personal income by population.

³Nonfarm wage and salary employment information is estimated for calendar years 2004 and 2005.

2002	2003	2004	2005
1,342	1,366	1,391	1,415
1.6%	1.8%	1.9%	1.7%
288,599	291,388	294,098	296,793
1.0%	1.0%	0.9%	0.9%
\$34	\$35	\$37	\$40
2.3%	2.5%	7.9%	7.4%
\$8,882	\$9,169	\$9,713	\$10,295
1.8%	3.2%	5.9%	6.0%
\$25,204	\$25,382	\$26,881	\$28,392
0.7%	0.7%	5.9%	5.6%
\$30,776	\$31,466	\$33,026	\$34,685
0.8%	2.2%	5.0%	5.0%
33.5	33.8	34.1	NA
4.7%	5.2%	5.2%	NA
9.1%	10.1%	10.1%	NA
31.5%	28.5%	28.5%	NA
25.7%	27.3%	27.3%	NA
29.0%	28.9%	28.9%	NA
684,749	692,543	703,067	733,998
645,066	655,103	669,728	705,065
39,683	37,440	33,339	28,933
5.8%	5.4%	4.7%	3.9%
1,758	1,784	1,931	2,043
9,557	9,051	9,307	9,420
36,456	36,720	39,817	45,180
32,761	30,899	31,252	32,330
24,483	23,911	23,130	23,118
105,015	102,365	105,437	112,091
97,341	97,114	99,123	102,862
253,625	260,010	268,969	279,508
98,486	99,401	101,158	101,734
13,551	13,623	13,311	13,229
463,003	470,148	482,561	497,333
568,018	572,513	587,998	609,424

Schedule 12 - Principal Employers**Current Year and Nine Years Ago**

	As of June 30, 1996			As of June 30, 2005		
	Number of	Rank	Percent of	Number of	Rank	Percent of
Major Idaho Employers	Employees		Total State	Employees		Total State
			Employment			Employment
State of Idaho ¹	16,000-16,500	1	2.8	17,500-18,000	1	2.7
Federal Government	12,500-13,000	2	2.2	13,000-13,500	2	2.0
Micron Technology, Inc.	6,500-7,000	3	1.2	9,000-10,000	3	1.4
Wal-Mart Associates, Inc.				6,000-6,500	4	0.9
Bechtel BWTX Idaho, LLC.				5,000-5,500	5	0.8
Albertsons, Inc.	5,000-5,500	5	0.9	4,500-5,000	6	0.7
St. Luke's Regional Medical Center	2,000-2,500	10	0.4	4,000-4,500	7	0.6
Independent School District of Boise City	3,000-3,500	8	0.6	3,500-4,000	8	0.6
Hewlett-Packard Co.	4,000-4,500	7	0.7	3,500-4,000	9	0.6
Meridian School District				3,500-4,000	10	0.6
Lockheed Idaho	5,500-6,000	4	1.0			
J.R. Simplot Co.	4,500-5,000	6	0.9			
Potlatch Corporation	3,000-3,500	9	0.6			
Total	64,500		11.3	72,250		10.9

Source: Idaho Department of Commerce and Labor, except state employees, which is from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given. Lockheed Idaho operated the Idaho National Laboratory (formerly Idaho National Engineering and Environmental Laboratory) for the Department of Energy until October 1, 1999, when Bechtel BWTX Idaho took over as the contractor.

¹ Number of state employees includes only full-time personnel.**Schedule 13 - Education Enrollment****Public School Enrollment Grades K-12****Academic Years 1995/96-2004/05**

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Elementary	129,570	129,525	130,080	131,018	131,348	131,835	132,406	133,501	135,216	137,579
Secondary	113,627	115,727	114,323	113,605	113,878	113,174	114,009	115,014	116,821	118,425
Total All Grades	243,197	245,252	244,403	244,623	245,226	245,009	246,415	248,515	252,037	256,004

Source: Idaho Department of Education

Note: Starting in academic year 1997/98 the reporting date changed from the last Friday in September to the first Friday in November.

Public Higher Education Enrollment**Student Headcount (Calendar Years 1996-2005)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Boise State University	15,137	15,467	15,744	16,209	16,482	17,176	17,688	18,431	18,418	18,650
Idaho State University	12,139	11,870	12,232	12,650	13,037	13,663	13,352	13,625	13,803	13,977
University of Idaho	11,133	11,027	11,437	11,305	11,635	12,067	12,423	12,894	12,824	12,476
Lewis-Clark State College	2,967	3,008	2,972	2,815	2,696	2,952	2,967	3,228	3,145	3,222
Eastern Idaho Technical College	374	540	601	653	595	598	702	860	788	763
Total Colleges and Universities	41,750	41,912	42,986	43,632	44,445	46,456	47,132	49,038	48,978	49,088

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

Schedule 14 - State Employees by Function
Fiscal Years 1996-2005
Full-Time Employees

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government										
Tax Commission	361	354	355	395	408	400	389	370	391	383
Department of Administration	151	152	153	159	153	158	167	162	153	157
All Other	950	943	950	968	1,000	1,050	1,075	1,054	1,025	1,069
Public Safety and Correction										
Department of Correction	1,052	1,003	1,144	1,273	1,291	1,302	1,381	1,345	1,365	1,407
Idaho State Police	414	418	427	429	440	451	469	451	454	455
Department of Juvenile Corrections	201	209	212	252	265	267	320	320	327	328
All Other	325	325	327	336	350	351	348	344	321	333
Health and Human Services										
Department of Health and Welfare ¹	3,331	3,260	3,200	3,260	3,289	2,806	2,814	2,658	2,657	2,687
Education										
Colleges and Universities	4,904	4,955	5,044	5,216	5,368	5,658	5,973	5,857	5,723	5,776
All Other	512	498	494	499	508	511	524	499	517	538
Economic Development										
Idaho Transportation Department	1,754	1,702	1,670	1,702	1,763	1,760	1,774	1,773	1,786	1,774
Department of Commerce and Labor ²	457	450	474	494	500	504	514	518	592	580
Department of Agriculture	314	303	323	348	340	320	309	296	305	281
All Other	479	471	485	502	504	723	774	785	712	819
Natural Resources										
Department of Fish and Game	511	490	486	477	469	468	481	494	504	497
Department of Environmental Quality ¹						331	351	350	353	352
Department of Lands	239	238	211	217	218	214	206	218	221	231
Department of Parks and Recreation	126	123	125	131	133	139	136	141	137	147
All Other	188	182	188	191	183	192	191	186	160	182
State Total	16,269	16,076	16,268	16,849	17,182	17,605	18,196	17,821	17,703	17,996

Part-Time and Temporary Employees³

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government	306	289	284	330	354	359	357	364	346	356
Public Safety and Correction	153	182	157	194	203	207	183	188	187	186
Health and Human Services ¹	772	784	805	860	979	660	710	614	671	589
Education	3,100	2,752	2,676	2,411	2,909	2,815	2,724	2,960	2,766	2,779
Economic Development ²	662	733	684	672	739	924	947	886	970	984
Natural Resources ¹	401	393	396	408	464	517	549	529	548	591
State Total	5,394	5,133	5,002	4,875	5,648	5,482	5,470	5,541	5,488	5,485

Source: Office of the Idaho State Controller.

¹In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.²In fiscal year 2004 legislative action combined the Department of Commerce with the Department of Labor.³Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function
Fiscal Years 1996-2005

	1996	1997	1998	1999	2000	2001
General Government						
Tax Commission						
Percent of Data Managed Electronically	15%	20%	30%	45%	55%	65%
Number of Returns Filed Electronically	NA	NA	NA	68,522	98,085	130,855
Department of Administration						
Construction Projects Administered	105	106	94	85	291	276
Employees Covered by Benefit Plans	16,848	16,270	16,024	16,639	18,589	18,841
Public Safety and Correction						
Department of Correction						
Incarcerated Offenders	3,662	3,954	4,004	4,454	5,017	5,444
Supervised Offenders	6,329	6,865	7,260	7,292	7,356	7,945
Idaho State Police						
Emergency Call Response Rate ¹	NA	60%	65%	62%	46%	50%
Per-capita Drug Crime Rate	NA	NA	8.3	8.3	8.2	8.9
Department of Juvenile Corrections						
Number of Juveniles in the System	936	1,213	1,346	795	843	848
Rate of Recombitment to DJC Custody ²	NA	NA	NA	NA	NA	10.0%
Health and Human Services						
Department of Health and Welfare						
Medicaid Enrollees	84,339	82,491	80,990	85,750	95,827	122,788
Percent of Population	7.0%	6.3%	6.7%	7.0%	7.7%	9.5%
Food Stamp Recipients	86,174	70,481	64,117	58,471	58,246	59,601
Percent of Population	7.2%	5.4%	5.3%	4.8%	4.7%	4.6%
Education						
Colleges and Universities						
Enrollment	41,750	41,912	42,986	43,632	44,445	46,456
Number of Certificates and Degrees Awarded	6,597	6,670	6,835	6,980	6,875	7,138
Economic Development						
Idaho Transportation Department						
Percent of Pavement Which is Deficient	27%	23%	21%	20%	18%	18%
Vehicles Weighed (<i>in thousands</i>)	1,618	1,566	1,644	1,726	2,147	2,458
Department of Commerce and Labor						
Individuals Registered for Employment (<i>in thousands</i>)		148	173	159	160	166
Percent of Registered Individuals Placed in Jobs		19.0%	14.7%	17.0%	15.8%	13.5%
Department of Agriculture						
Conduct Disease Surveillance (<i>in thousands</i>)	1,777	1,989	1,971	1,992	2,140	2,342
Inspections of Dairy and Egg Farms	4,811	4,670	4,996	5,055	5,420	4,244
Natural Resources						
Department of Fish and Game						
Hatchery Fish Raised (<i>in thousands</i>)	32,100	35,000	25,000	35,000	46,000	35,000
Hunting and Fishing Licenses Sold (<i>in thousands</i>)	1,092	1,157	1,080	1,351	1,340	1,202
Department of Environmental Quality³						
Air Quality Sites Monitored					55	64
Water Sites Monitored					267	510
Public Drinking Water Systems in Compliance					97.7%	98.0%
Department of Lands						
Forest Products Sold (<i>in million board feet</i>)	201	214	199	180	193	192
Fires Responded to on IDL Land	361	264	356	406	310	410
Department of Parks and Recreation						
Park Visitation (<i>in thousands</i>) ⁴	2,439	2,262	2,354	2,284	2,637	2,415
Recreational Registrations (<i>in thousands</i>) ⁴	138	145	154	169	184	192

Sources: Idaho Division of Financial Management; Idaho State Tax Commission; and the Idaho Departments of Administration, Health and Welfare, Correction, Lands, and Parks and Recreation.

Note: Operating indicators for fiscal year 2005 are estimates, except for the Department of Health and Welfare.

¹In fiscal year 1997 Idaho State Police instituted new performance measures. Emergency call response rate is based on officer arriving safely within 15 minutes.

²In fiscal year 2001 Department of Juvenile Corrections instituted new performance measures.

³In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

⁴Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

2002	2003	2004	2005
75%	85%	95%	95%
156,400	211,400	256,958	NA
250	200	143	186
19,115	19,250	18,076	18,495
5,802	5,825	6,312	6,481
8,473	9,346	9,955	10,839
54%	54%	54%	90%
8.4	8.7	9.1	9.0
804	726	676	755
6.0%	8.2%	11.4%	10.0%
141,954	152,679	162,585	170,511
10.7%	11.4%	11.9%	12.2%
71,478	84,066	92,963	93,196
5.4%	6.3%	6.8%	6.7%
47,132	49,038	48,978	49,088
9,985	7,298	7,343	NA
15%	16%	19%	15%
2,486	2,342	2,365	2,389
174	192	204	208
13.2%	8.9%	7.2%	7.2%
2,146	2,124	2,060	2,300
3,834	3,851	4,282	4,000
30,000	31,000	30,000	30,000
1,300	1,300	1,300	1,300
67	70	64	64
500	436	442	350
97.8%	97.8%	98.6%	95.0%
200	170	254	184
319	362	292	NA
2,582	2,489	2,358	NA
188	216	233	232

Schedule 16 - Capital Asset Statistics by Function
Fiscal Years 1996-2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<u>General Government</u>										
Department of Administration										
Buildings	38	39	40	43	46	47	47	47	63	64
<u>Public Safety and Correction</u>										
Department of Correction										
Buildings	108	114	123	124	128	129	134	135	142	149
Vehicles	84	102	134	175	204	257	285	301	330	334
Idaho State Police										
Vehicles	33	61	106	159	199	280	360	403	454	425
Machinery and Equipment	93	223	354	426	530	626	699	720	807	812
Department of Juvenile Corrections										
Buildings	24	24	25	26	28	29	32	34	34	34
Vehicles	6	6	9	21	29	32	39	41	46	53
<u>Education</u>										
Colleges and Universities										
Buildings (<i>square footage in thousands</i>)	NA	NA	10,230	10,368	10,496	10,868	11,396	11,358	11,743	11,919
<u>Economic Development</u>										
Idaho Transportation Department										
Highway Lane Miles ¹	11,703	11,843	11,806	11,760	11,756	11,779	11,831	11,819	11,852	11,852
Vehicles	114	114	109	98	98	95	95	109	112	97
Heavy Equipment	526	520	519	522	522	530	530	551	545	552
Department of Agriculture										
Scientific and Laboratory Equipment	104	111	115	133	137	142	159	170	184	190
Vehicles	33	34	43	67	90	108	134	140	158	166
<u>Natural Resources</u>										
Department of Fish and Game										
Hatcheries	19	19	19	19	19	19	19	19	19	19
Vehicles	207	239	261	287	346	429	517	665	781	825
Boats	202	210	215	226	241	256	274	288	302	302
Wildlife Management Areas	33	33	33	35	35	35	35	35	35	35
Department of Environmental Quality										
Air Monitoring Instruments	94	118	123	148	150	172	192	199	125	126
Water Sampling/Quality Equipment	148	168	197	203	213	224	271	276	82	88
Department of Lands										
Acres of Land (<i>in thousands</i>) ¹	2,351	2,348	2,346	2,348	2,310	2,400	2,461	2,464	2,462	2,462
Vehicles	149	169	195	214	223	251	297	332	361	341
Department of Parks and Recreation										
State Parks	27	28	29	32	32	33	33	34	34	34
Acres of State Park Land (<i>in thousands</i>)	51	51	51	56	56	56	56	58	58	58
Buildings	176	186	217	225	237	253	258	261	275	282
Vehicles	101	107	127	148	169	192	208	223	232	240

Sources: Office of the Idaho State Controller; Idaho Departments of Correction, Transportation, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: Idaho State Tax Commission, the Departments of Health and Welfare, and Commerce and Labor are not capital asset intensive.

¹Highway lane miles and acres of land for fiscal year 2005 are based on estimates.



Schedule 17 - Assets, Liabilities, and Fund Balances**General Fund Accounts****June 30, 2005***(dollars in thousands)*

	State General Account	Permanent Building	Budget Reserve	Millennium	Income Earnings
ASSETS					
Cash with Treasurer	\$229,866	\$28,716	\$38,015	\$32,202	\$40,793
Cash and Cash Equivalents	79	402			77
Investments		7,069		12,861	1,348
Securities Lending Collateral	641,055				
Accounts Receivable, Net	882	195		12,036	
Taxes Receivable, Net	197,668	1,208	2,361		425
Interfund Receivables	3	391			
Due from Other Entities	76				
Inventories and Prepaid Items	1,452				49
Other Assets		51			10
Restricted Assets:					
Cash and Cash Equivalents	64				
Total Assets	\$1,071,145	\$38,032	\$40,376	\$57,099	\$42,702
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$11,865	\$7,766		\$132	\$157
Payroll and Related Liabilities	12,283	78			8
Interfund Payables	106	23			132
Due to Other Entities					
Deferred Revenue	53,609	6,388	\$15	12,036	3
Amounts Held in Trust for Others	242				
Obligations Under Securities Lending	641,055				
Other Accrued Liabilities	470	6,263			
Total Liabilities	719,630	20,518	15	12,168	300
Fund Balances					
Reserved for:					
Encumbrances	5,079	30		19	17,901
Inventories and Prepaid Items	1,452				49
Noncurrent Receivables					
Unreserved, Reported in:					
General Fund	344,984	17,484	40,361	44,912	24,452
Total Fund Balances	351,515	17,514	40,361	44,931	42,402
Total Liabilities and Fund Balances	\$1,071,145	\$38,032	\$40,376	\$57,099	\$42,702

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
\$35,464	\$6,775	\$208	\$2,383	\$1,995	\$7,521	\$423,938
						558
					63	21,341
						641,055
						13,113
14,861	22,591				355	239,469
					328	722
						76
				3,733		5,234
						61
						64
\$50,325	\$29,366	\$208	\$2,383	\$5,728	\$8,267	\$1,345,631
						\$19,920
			\$155	\$60	\$428	13,012
					2	263
					12	12
\$1,328	\$12,686					86,065
						242
						641,055
					5,325	12,058
1,328	12,686		155	60	5,767	772,627
					119	23,148
				3,733		5,234
					321	321
48,997	16,680	\$208	2,228	1,935	2,060	544,301
48,997	16,680	208	2,228	5,668	2,500	573,004
\$50,325	\$29,366	\$208	\$2,383	\$5,728	\$8,267	\$1,345,631

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances**General Fund Accounts****For the Fiscal Year Ended June 30, 2005***(dollars in thousands)*

	State General Account	Permanent Building	Budget Reserve	Millennium	Income Earnings
REVENUES					
Sales Tax	\$958,507	\$5,000			
Individual and Corporate Taxes	1,101,746	5,534			\$5,059
Other Taxes	20,562	7,734	\$24,390		4,727
Licenses, Permits, and Fees	9,052				1,036
Sale of Goods and Services	410	69,563			1,619
Grants and Contributions		699			43
Investment Income	15,585	1,457		\$617	1,253
Tobacco Settlement				23,151	
Other Income	3,349	1,017		5	27
Total Revenues	2,109,211	91,004	24,390	23,773	13,764
EXPENDITURES					
Current:					
General Government	74,322	10,050		77	245
Public Safety and Correction	183,725			364	2,166
Health and Human Services				1,552	2,524
Education	104,760				997,863
Economic Development	16,877				475
Natural Resources	21,058				
Capital Outlay	4,472	85,246			940
Intergovernmental Revenue Sharing	21,084				
Debt Service:					
Principal Retirement	125	25			
Interest and Other Charges	7,763	328			
Total Expenditures	434,186	95,649		1,993	1,004,213
Revenues Over (Under) Expenditures	1,675,025	(4,645)	24,390	21,780	(990,449)
OTHER FINANCING SOURCES (USES)					
Capital Lease Acquisitions	11				
Sale of Capital Assets	367	5			
Transfers In	170,232	12,980	20,971		1,008,301
Transfers Out	(1,729,786)		(5,000)		(10,321)
Total Other Financing Sources (Uses)	(1,559,176)	12,985	15,971		997,980
Net Change in Fund Balances	115,849	8,340	40,361	21,780	7,531
Fund Balances - Beginning of Year	235,666	9,174		23,151	34,871
Fund Balances - End of Year	\$351,515	\$17,514	\$40,361	\$44,931	\$42,402

Income		Catastrophic		Warrant		General	
Sales Tax	Tax Refunds	Health Care	Legislative	Deficiency	Miscellaneous	Account Transfer Eliminations	Total
\$161,610	\$3,521				\$3,700		\$1,132,338
	58,705				5,859		1,176,903
	5,645						63,058
		\$177		\$128	7,824		18,217
			\$14	3	4,940		76,549
					1,293		2,035
		102			16		19,030
							23,151
		1,860		1,562	14,974		22,794
161,610	67,871	2,139	14	1,693	38,606		2,534,075
13,448			5,383	101	6,838		110,464
					509		186,764
		18,017					22,093
					12,175		1,114,798
					756		18,108
				3,554	756		25,368
			21		349		91,028
141,478	126				21		162,709
			2				152
							8,091
154,926	126	18,017	5,406	3,655	21,404		1,739,575
6,684	67,745	(15,878)	(5,392)	(1,962)	17,202		794,500
			15				26
					1		373
		15,836	5,600	1,675	13,528	(\$1,120,704)	128,419
(64,097)					(32,396)	1,120,704	(720,896)
(64,097)		15,836	5,615	1,675	(18,867)		(592,078)
6,684	3,648	(42)	223	(287)	(1,665)		202,422
42,313	13,032	250	2,005	5,955	4,165		370,582
\$48,997	\$16,680	\$208	\$2,228	\$5,668	\$2,500		\$573,004

Schedule 19 - Miscellaneous Statistics

		COMMUNITIES IN IDAHO WITH POPULATIONS OVER 10,000	
State Capital	Boise	Boise	190,122
Admitted to the Union	July 3, 1890	Nampa	68,156
Nickname	The Gem State	Idaho Falls	52,148
Motto	Esto Perpetua (Let It Be Perpetual)	Pocatello	50,723
Population	1,414,800	Meridian	44,962
Highest Elevation Point	Mt. Borah	Coeur d'Alene	38,388
Lowest Elevation Point	12,662 Feet Above Sea Level	Twin Falls	37,619
	Snake River, Lewiston	Caldwell	32,718
Number of Lakes	770 feet Above Sea Level	Lewiston	31,028
	More Than 2,000	Rexburg	24,733
State Bird	Mountain Bluebird	Moscow	21,900
State Fish	Cutthroat Trout	Post Falls	21,351
State Flower	Syringa	Eagle	16,176
State Gem Stone	Idaho Star Garnet	Mountain Home	11,427
State Horse	Appaloosa	Garden City	11,173
State Insect	Monarch Butterfly	Hayden	11,086
State Song	"Here We Have Idaho"	Blackfoot	10,707
State Tree	Western White Pine	Chubbuck	10,492

Source: *Idaho Blue Book*, 2005-2006

Idaho Economic Forecast, October 2005 (Population)

Source: *Idaho Fiscal Facts* 2005

LAND AREA AND USE (in square miles)	
Total Area	84,437
Land Area	83,557
Water Area	880
Federal Land	52,699
Total Non-Federal Land	30,858
Total Rural Land	78,768
Agricultural Land	12,170
Range Land	34,353
Forest Land	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Sources: *Idaho Blue Book*, 2005-2006

Idaho Fiscal Facts 2005

HEALTH AND EDUCATION	
Number of:	
Licensed Hospitals	47
Optometrists	339
Chiropractic Physicians	411
Physicians	2,444
Dentists	898
Public Schools	
Elementary	362
Secondary	295
Non-Public Schools	
Elementary	50
Secondary	31
Colleges and Universities	11
Public Libraries	149

Source: *Idaho Blue Book*, 2005-2006

Basque-American Culture

In the 1800s Idaho attracted Basques from the Pyrenees Mountains of Spain and France. When they arrived in Idaho, hardworking Basques found employment as sheepherders, ranch hands, and sheep shearers. They tended the flocks of sheep ranchers in Idaho and took wages in ewes so they could start flocks of their own.

Each year the Trailing of the Sheep Festival celebrates the tradition of sheepherders moving their flocks from summer pastures north of Ketchum to winter grazing areas. Visitors can observe or participate in the trailing of 1,700 sheep from Ketchum to Hailey each October.

Today the Basque culture is vibrantly alive in Idaho. The Basque museum and cultural center that displays Basque history, culture, and language is located in Boise. The Basque culture is also celebrated during festivals and religious holidays, when people of Basque ancestry dress in traditional folk costume, sing the Basque anthem, dance the jota, and toss the palanka (javelin).



Photos courtesy of the Idaho Historical Museum.

Top: Oinkara Basque Dancer Inc. Boise performing “Arco Dantza,” the Hoop Dance, at the Basque Center in 1964.

Bottom: A Basque sheepherder holding one of his sheep.

Sources

Idaho Museum of Natural History <<http://imnh.isu.edu/digitalatlas/geog/imem/imemfr.htm>>. Accessed on 11/28/05.

Idaho Trailing of the Sheep <<http://www.trailingofthesheep.org/>>. Accessed on 11/28/05.



